

السوق المالية

# FINANCIAL TIMES

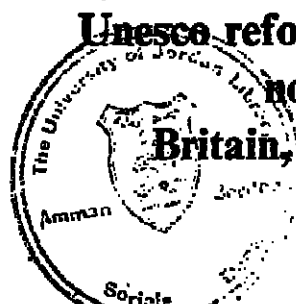
EUROPE'S BUSINESS NEWSPAPER

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Unesco reforms may not satisfy Britain Page 17



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## World news Business summary

### Row over UK inner city report by church

UK Government leaders attacked a Church of England report on the state of Britain's inner cities as being "sanctimonious" and reflecting Labour Party policy. The Liberal and Labour parties, the Trades Union Congress and the Confederation of British Industry welcomed it as a contribution to the debate on social problems.

Dr Robert Runcie, the Archbishop of Canterbury, urged that the report should not become a "political or ecclesiastical football" and attacked the campaign against it as being "a gross distortion of the facts". He strongly denied suggestions by a minister that the report - which criticises government housing and employment policies - was Marxist.

The document is also critical of the Church of England's record on the inner cities and calls for reforms within the church. Page 18

### Sohio takes \$1.15bn charge

SOHIO, British Petroleum's majority-owned US subsidiary, is taking a \$1.15bn after-tax charge which will primarily cover the cost of restructuring its loss-making mining operations. Page 18

REMY MARTIN, French cognac group, has acquired a 67.5 per cent controlling stake in Charles Heidsieck champagne company for FF 285m (\$38.4m). Page 19

WALL STREET: The Dow Jones industrial average closed up 1.15 at 1,459.08. Page 38

LONDON: Stocks were sparked by takeover bids in the electricals sector. The FT Ordinary share index added 3.9 to 1,128.3 while the FT-SE 100 ended 2.9 lower at 1,415.6. Page 36

TOKYO: Prices continued to edge down. The Nikkei average shed 22.37 to 12,714.55. Page 36

**Bhopal settlement**  
 Indian Carbide's subsidiary settled claims by workers who lost their jobs after the leak of poison gas in Bhopal that killed more than 2,000 people. The 627 workers will receive a total of \$1.8m for compensation, wages and gratuities due to them since the pesticides factory was closed. Page 18

### Aquino to stand

Corason Aquino, widow of murdered Philippine opposition leader Benigno Aquino, said she would stand against President Ferdinand Marcos in elections set for February 7. Marcos retired or gave new assignments to about 50 senior officers in a reorganisation of the armed forces to make them more effective in anti-insurgency campaigns. Page 4

### Minister appointed

General Heinz Kessler was appointed East Germany's new Defence Minister. He replaces General Heinz Hoffmann who died on Monday.

### New Caledonia blast

A bomb destroyed Noumea's court building in the French Pacific territory of New Caledonia. The bomb exploded shortly before the French National Assembly in Paris passed a bill granting amnesty for certain crimes committed in the territory.

### Jaruzelski in Paris

The surprise visit to Paris of Polish leader Gen Wojciech Jaruzelski provoked a storm of protests from the pro-Socialist CPDT trade union confederation and right-wing opposition parties. Page 2

### Cuban loses job

Ramiro Valdes, who has run internal security for much of President Fidel Castro's rule, was dismissed as Interior Minister. He remains Vice President.

### Fuel convoy attacked

Afghan guerrillas destroyed 15 tankers en route from the Soviet Union to Kabul in the second attack on a fuel convoy, Western diplomats said.

### Tamils kill five

Five soldiers were killed and three wounded when Tamil separatist guerrillas exploded a landmine under their vehicle in Sri Lanka's eastern Trincomalee district.

### US plans Berlin TV

The US plans to set up a television station in Berlin with West German help. It will beam programmes to East Germany.

### Israeli raid

Israeli troops killed five Palestinian guerrillas in the Hasbaya area of south Lebanon.

## GEC floats merger worth £1.16bn in overture to Plessey

BY GUY DE JONQUIERES AND LIONEL BARBER IN LONDON

BRITAIN'S General Electric Company (GEC) yesterday made a surprise £1.16bn (£1.72bn) bid approach to Plessey. GEC said the proposed merger was intended to create a British electronics group able to compete more effectively in world markets.

The approach coincided with the announcement of a 13 per cent fall in GEC's pre-tax profits to £289m for the six months to September 30 from £330m a year previously. Turnover also fell to £2,780m from £2,790m.

Plessey, which was clearly surprised by GEC's move, said it would be discussed at a special board meeting today. There were strong indications last night that senior Plessey executives wanted the company to remain independent and were prepared to fight the approach.

GEC said it had asked Plessey to discuss the advantages of the proposed merger and "the conditions which might be associated with an offer by GEC valued at 180p per share."

GEC did not specify exact terms for its offer, but Lord Westminster, its managing director, told a press conference in London yesterday: "It we

ANNUAL SALES (\$bn)	
GEC	6.88
Plessey	1.61
Other leading groups:	
IBM	45.90
GE (US)	27.94
Mitsubishi	19.41
Philips	15.58
Siemens	14.85
NEC	8.99
CCE	8.48
Olivetti	2.34

Source: FT 500 or last published accounts

cannot agree terms and conditions, we will have to decide what terms and conditions to impose."

He said the 180p per share offer was "a serious number" and that GEC's move was not opportunistic. GEC's cash mountain stood at £1,377m at the end of September and produced net income of £80m in the preceding six months.

Plessey's share price rose 38p on the London Stock Exchange yesterday to close at 174p. Despite its lower profits, GEC's share price closed at 180p, up 12p on the day.

GEC is Britain's largest electrical and electronics company, with sales

last year of almost £5bn, while Plessey's turnover totalled £1,420m. The two companies are big suppliers of equipment to the UK Defence Ministry and to British Telecom.

Plessey's pre-tax profits in the six months to September 27 fell 13 per cent from a year previously. The decline was due chiefly to poorer performance in telecommunications, which accounts for more than half Plessey's business.

Yesterday's announcement by GEC marks the formal start of an offer period under the City of London Takeover Code. This requires all dealings in Plessey shares by GEC and its merchant bank adviser, S.G. Warburg, to be reported to the London Stock Exchange.

GEC, however, will not be tied to any fixed timetable for sending out an offer document unless it commits itself to making a formal bid.

Mr James Prior, chairman of GEC, a Conservative MP and a former Cabinet Minister, said the company had told the Government on Monday that it planned to make an

Continued on Page 18

Editorial comment: feature, Page 16; Lex, Page 18; GEC results and background, Page 24

## Botha lifts emergency rule in eight districts

BY JIM JONES IN JOHANNESBURG

MR P. W. BOTHA, the South African President, last night lifted emergency rule in eight of the 38 magisterial districts affected. He said the "revolutionary climate" in the country's black townships was "fast losing momentum."

In almost two years of unrest, more than 935 lives have been lost in township violence. In July this year, the authorities imposed a state of emergency in some of the most affected areas, giving the security forces wide-ranging powers.

Announcing the move, Mr Botha said: "Elements that are ideologically opposed to orderly reform, and that went out of their way this year to drive communities in South Africa towards a violent confrontation with each other, are being defeated."

The banned African National

Congress (ANC) has vowed to make the country's black townships "ungovernable." The ANC said last weekend that the recent spate of landmine explosions on the country's northern border and a rocket attack on an oil-fringe plant were part of the escalation of their guerrilla campaign.

Five towns affected by Mr Botha's move are in the Eastern Cape, where black boycotts of white businesses are being lifted. The end to the boycotts, which have hit white-owned shops, followed negotiations between black and white community leaders and led to the withdrawal of soldiers from black townships and the release of several prominent black leaders.

Earlier in the day the authorities relaxed the strict measures that usually surround the funerals of the victims of township violence.

Tens of thousands of mourners, including diplomats from 11 Western countries, packed Mamelodi soccer stadium near Pretoria for the funeral of 12 blacks killed by security forces during an anti-government protest march last month.

The deaths occurred in one of the most violent incidents in the country since the state of emergency was imposed. A two-month-old baby and an elderly man were among the victims when a protest march at Mamelodi was broken up.

The Mamelodi funeral was attended by diplomats from Britain, the Netherlands, the US, West Germany, Canada, Belgium, France, Italy and Sweden. They drove in a convoy from Pretoria to the funeral.

Continued on Page 18

Survey spotlights apartheid, Page 4

## Japanese bank chief foresees 'managed floating' currencies

BY JUREK MARTIN IN TOKYO

THE industrialised world is now embarked on "an experiment towards a managed floating-rate system" of currency values, according to Mr Satoshi Sumita, the governor of the Bank of Japan.

The Group of Five (G5) meeting of finance ministers in New York on September 22 had espoused economic fundamentals. It had even specified "policy programmes" for participating nations, including an expansion of domestic demand for Japan and West Germany, he said.

Although Mr Sumita praised the new US recognition of the need for co-ordinated intervention in the currency markets, he obliquely criticised President Ronald Reagan's Administration for failing to live up to its side of the compact by reducing its fiscal deficit.

He thought the US Federal Reserve was pursuing a correct, cautious monetary policy, which had brought interest rates down a little, albeit slowly. But he felt it would be difficult for the Fed to cut its discount rate in the near future unless

other developments, presumably on the fiscal side, permitted.

In any event, the G5 goals could not be sustained forever by relying only on intervention in the markets. Economic policies, as well as intervention, also required alignment. "We are," he said, "just one step closer to the situation where the yen rate stabilises autonomously."

In a wide-ranging speech in Tokyo, and in answering questions, the Japanese central bank governor promised that Japanese monetary policy would continue "very much to have an eye" on the exchange rate. Cutting the domestic discount rate would probably weaken the yen and thus run counter to existing policies.

Mr Sumita repeated that the Bank of Japan had no "target zone" for the yen but merely wanted to establish its strength. Asked if a value of ¥200 to the dollar constituted a psychological barrier in the markets, he conceded that such barriers did exist, citing the case of DM 2.50 to the dollar.

Equally, he agreed that an excessive capital outflow could weaken the Japanese currency. But if this drain was roughly balanced by the current account surplus, "it becomes a more natural transfer of funds" and not necessarily a source of weakness. The yen has in fact appreciated in the last two months in spite of continuing capital outflow of about \$7bn in October and November.

Mr Sumita said that it did not seem that higher interest rates in Japan, which have contributed to narrower differentials with the US, had made much impact on the Japanese capital outflow.

The central bank's policies had, he said, administered "a Sumita shock" to the domestic bond markets, short and long-term. He argued, however, that this was a necessary medicine because long-term yields had been going down "excessively" before they were corrected. Short-term rates would continue to be fine tuned to protect the yen's value.

## Singapore exchange to reopen tomorrow

By Chris Sherwell in Singapore

SINGAPORE'S stock market, where trading has been suspended this week because of threatened defaults by local broking firms, will reopen tomorrow after a Government-inspired accord which ensures that obligations will be honoured and promises to reform the exchange.

The agreement unveiled last night includes a \$180m (\$84.2m) standby credit supplied to the exchange by the country's big four local banks and rule changes allowing banks and foreign interests to participate more directly in the market.

Details were given at a rare press conference convened by the powerful Monetary Authority of Singapore, the island state's equivalent of a central bank. According to the six monetary authority officials present, together with the five members of the stock exchange's executive committee and five senior local bankers, the accord was designed to instil bank and investor confidence in Singapore's broking industry.

Trading on the neighbouring Malaysian exchange in Kuala Lumpur, which is linked to the Singapore market, is also expected to restart tomorrow, although it was not clear whether it would continue with the type of forward transactions which lie behind the present crisis.

Under yesterday's accord, Singapore trading will resume on an immediate delivery basis only. One-month or "settlement" trading remains suspended indefinitely and the controversial forward transactions - of three, six and 12 months' duration - have been forbidden altogether.

Singapore suspended dealings last weekend after Pan-Elcric Industries, a local marine salvage, hotel and property group, was placed in receivership. The company was committed to share purchases it could not meet, threatening certain local brokers with heavy losses and trouble for the market as a whole.

The \$180m standby credit will be used to ensure that obligations are honoured for any broking firm facing insolvency. Precisely how many of Singapore's 24 domestic stockbrokers are at risk is not known. Officials also decline to reveal the total amount of forward share transactions outstanding.

The proposed reforms include changes in exchange rules to allow banks and other outside interests to take an unspecified equity stake in local broking firms. The Government will also introduce radical changes to the Securities Industry Act, probably by early next year.

Brokers agree to toe line, Page 21

## EEC leaders break logjam over EMS

BY QUENTIN PEEL IN LUXEMBOURG

BRITAIN and West Germany yesterday agreed to bring monetary affairs within the scope of the Treaty of Rome, in a move which could break the logjam at the EEC summit in Luxembourg seeking to finalise a package of Community reforms.

The surprise agreement was reached at the 12 EEC leaders, including Spain and Portugal, were struggling with the fine detail of planned amendments to the founding treaty, intended to streamline and revitalise Community institutions.

It marks a climbdown in principle by both Mrs Margaret Thatcher, the British Prime Minister, and Mr Helmut Kohl, the West German Chancellor, both of whom had decided that monetary questions should be kept out of the package.

In return, they have agreed to a text which will have no appreciable effect on the current control of monetary and exchange rate policy in the EEC and member-states - and which will possibly make future development of the European Monetary system even more difficult, according to national officials.

Currently, the Treaty of Rome contains general aspirations towards deepening economic co-operation between member-states. The EMS was created by an inter-

governmental agreement putting it outside the control of Community institutions.

British and West German approval only came when it was clear that the proposed Treaty amendment would not lead to any greater sacrifice of national sovereignty over economic affairs.

The deal also makes any future development of monetary policy affecting EEC institutions subject to the full reform process of a unanimous inter-governmental conference and ratification by national parliaments - instead of simply unanimity in the Council of Ministers. The establishment of a full European Monetary Fund as a Community central bank would be subject to this procedure.

The monetary breakthrough came as the heads of state and government battled through mounds of paperwork and amendments, seeking to narrow their differences on reforms, and "striving for agreement," according to one spokesman. They were still locked in negotiations last night, trying to agree on ways of granting health safeguards for Britain and Ireland and environmental protection for Denmark in the overall plan to speed up completion.

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Background, Page 2

## Pan-European chip company on target

BY ALAN CANE IN LONDON

EUROPEAN Silicon Structures (ESS), a new, pan-European semiconductor company established to exploit the growing market for custom-designed microchips, is well on the way to completing its financing on schedule.

It is thought to have raised \$25m from six big European industrial companies and is looking for up to a further \$20m from institutional investors. Together with \$20m of loans provided by banks and government institutions, the company should be able to raise a total of \$65m.

The ESS prospectus is expected to be published later this week, and the company's directors have begun a tour of large European institutional investors.

Of the six European companies believed to be involved in the financing, four are thought to be named in the prospectus as having

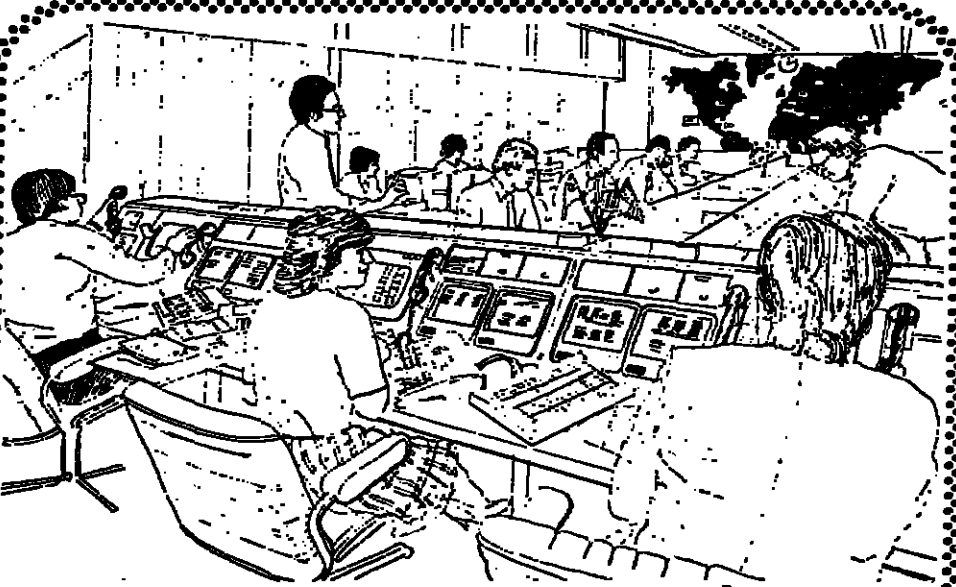
entered into co-operative agreements with ESS. These are Brown Boveri of Switzerland, Olivetti of Italy, Philips of the Netherlands and Saab-Scania of Sweden.

Sources close to the company say British Aerospace has confirmed that it plans to enter into a co-operative agreement and purchase shares, subject to the approval of its board of directors.

ESS has apparently concluded agreements with a sixth, unnamed company and is negotiating with two others. The company's equity funding cannot exceed \$45m.

The company plans to use advanced methods to simplify the design and manufacture of complicated microchips. It intends to build its own semiconductor fabrication plant, although its first silicon products are expected to emerge in the

Continued on Page 18



## BNP in the United Kingdom

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## EUROPEAN NEWS

DRAFT TREATY OBLIGES EEC GOVERNMENTS TO CONSULT

## Closer co-ordination of foreign policy likely

BY IVO DAWNAY IN LUXEMBOURG

EEC GOVERNMENTS have taken an important step towards closer co-ordination of their foreign policies by agreeing a draft text for a Treaty on European Political Co-operation.

Although the treaty will not be formally endorsed until other aspects of EEC reform are complete, it will be the first move by European governments to impose treaty obligations on foreign policy co-operation. The EEC's founding Treaty of Rome does not cover non-commercial foreign policy.

However, attempts to co-ordinate national positions on major issues have become increasingly important and successful since the early 1970s, and to a considerable extent the new treaty will codify what is already

## EEC SUMMIT LUXEMBOURG

established practice. Nevertheless, several governments led by Britain's, have argued the case for deepening political co-operation by means of a treaty which, at the very least, imposes an obligation on members to consult each other before taking a position on key international issues.

Some states have remained

dubious, however, with Greece expressing doubts as to the value of a treaty which would not give it a neutral power.

The question of co-operation over security and relations with the Western European Union and Nato at first looked set to jeopardise Irish and Greek approval for the treaty. But a final draft by the Luxembourg presidency appeared to resolve this problem by saying only that it "shall not preclude" closer co-operation between certain contracting parties on security within the WEU and Nato framework.

Nevertheless, an earlier paragraph underlines the view that close liaison on security would contribute "in an

essential way" to developing an identity for European foreign policy.

There have also been wrangles over how the new treaty could be put in context regarding the role of the Treaty of Rome and the other EEC institutions — the Commission, Council and Parliament. The British have been determined to resist the creation of an expensive and verbose bureaucracy. The compromise — seemingly acceptable to all — is to create a small secretariat, parallel to the European Commission and directly responsible to the European Council.

The main aims of the draft treaty are necessarily generalised, though not without importance. They are as follows:

- An undertaking by member states to consult on foreign policy issues, in order to exercise effectively their combined influence.
- The establishment of common principles and objectives.
- Close liaison between foreign ministers and the Commission, ensuring that EEC and political co-operation objectives are coherent.
- The adoption of common positions in international institutions such as the United Nations.
- Closer liaison between member states' missions in third countries.
- Agreement to inform and take soundings from the European Parliament on political co-operation issues.

## Dutch stand firm on N-decision despite Nato's disapproval

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN BRUSSELS

NATO DEFENCE ministers have strongly criticised the Dutch decision to reduce the number of nuclear roles it performs in alliance strategy. It decided to maintain only two of its so-called nuclear tasks when it agreed at the start of this month to deploy 48 US cruise missiles as part of the Nato-wide deployment.

Mr Jacob de Reiter, the Defence Minister, said yesterday the decision would not be rescinded. Dutch forces would not retain nuclear-tipped artillery and would no longer operate F-16 fighters nor its Orion maritime patrol aircraft with nuclear weapons.

of dissension at the meeting which ended unexpectedly early yesterday with a communiqué which made much of Nato's new emphasis on improving its conventional defences.

Lord Carrington, the secretary general, spoke of the important new political impetus given to collaborative arrangements production within the alliance. Nato now has firm plans for conventional defence improvements and what is called a "conceptual military framework, endorsed yesterday, to provide a 20-year planning framework for operational concepts, forces and weapon systems.

After the meeting, Mr Caspar Weinberger, the US Defence Secretary, who held a brief meeting with Mr Michael Heseltine, his British counterpart, said he believed their two countries were now close to signing an agreement on British participation in the US Strategic Defence Initiative. There was basic agreement on essential points of a legal, technical or drafting nature remained to be cleared up.

Mr Heseltine said they were working towards signing the agreement before Christmas. He also met colleagues from West Germany, Italy and Spain to discuss approaches by the US and France for involvement in the foundation of European Fighter Aircraft project.

## Ireland urged to double investment

THE Confederation of Irish Industry said yesterday that Ireland needed to double its level of investment in industry to sustain manufacturing growth rates at levels required to combat 17 per cent unemployment and close the gap in living standards with other EEC countries, writes Hugh Carnegie in Dublin.

In its submission on the budget due in January, the CII said the annual rate of inflation should be held at 3 per cent in 1986 compared with the present 5.5 per cent. Public spending should be held steady in real terms to help reduce the budget deficit, a record 8 per cent of gross national product.

The Confederation said growth in manufacturing output in 1985 slipped to 5 per cent from 13 per cent in 1984 mainly due to a slowdown in the electronics sector. Annual investment of £1,000,000 was required to sustain growth at the required 8 to 10 per cent per annum but present levels were only about half this.

The CII also recommended cuts in tax on dividends, a reduction in capital gains tax from 40 per cent to 20 per cent, "over the counter" security markets and borrowing concessions for small companies.

## Mugabe feted in Moscow

Mr Robert Mugabe, Zimbabwe's Prime Minister, has been accorded top honours on his first official visit to Moscow, writes our Moscow correspondent. The Soviet Union has a determined to cordially welcome to Mr Mugabe, whose relations with Moscow have been strained in the past by Soviet support of Mr Joshua Nkomo, his chief political rival, during the fight for independence in Rhodesia.

## US aims TV at E. Europe

The US is planning to establish with West European allies a television network to beam programmes into an East European country, writes Leslie Colitt in Berlin. Officials here said the US wants to set up a station in West Berlin, 110 miles inside East Germany, which could reach most German viewers. It would be attached to RIAS, the radio station in West Berlin operated by the US State Department and financed by Bonn, which has a million of listeners in East Germany.

## Hungary seeks savings boost

writes Patrick Blum in Vienna. Hungary is to introduce incentives to encourage personal savings following a decline in the volume of new savings deposits this year. Personal savings deposits grew by only 10.1 per cent (F156m) this year compared with F156m-200m a year during the past five years, the Hungarian news agency MTI says.

To encourage savings banks are introducing more attractive forms of deposits with higher interest. Next year, the National Savings Bank, which accounts for the bulk of personal savings deposits, will introduce a supplementary pension savings scheme coupled with a life assurance, to encourage savings to encourage competition.

## Denmark plans demand curbs

The Danish Government is expected to announce measures today to reduce the economic demand and stop the deterioration of the current account which reached a record Dkr 22bn (F1.6bn) deficit in this year to September, writes Hilary Barnes in Copenhagen.

The measures are expected to include special deposits by banks and savings banks with the central bank, a freeze on public sector construction projects and an energy equalisation tax (to compensate for the fall in energy prices this year).

## Surprise monetary deal proves unsurprisingly modest

BY QUENTIN PEEL IN LUXEMBOURG

THE FIRST deal reached yesterday by the EEC leaders—subject to overall agreement on a package of reforms—was surprising on monetary measures, the one question on which both Britain and West Germany wanted no text at all.

The end result, however, is modest in the extreme, doing little more than stating the obvious about monetary policy

in the Treaty of Rome. It rules out any major reforms without further formal treaty amendment, approved by all national parliaments. None the less, it includes the words "economic and monetary union" in the treaty text, as well as references to the European Monetary System (EMS) and the European currency unit (Ecu).

The agreed amendment worked out overnight in negotiations between West German and

British officials, and then in bilateral discussions involving the European Commission and other member states, pledged the member states to economic co-operation. The aim, already set out in the treaty, is for each to "ensure the equilibrium of the position of being the weakest of the four big EEC countries (France, West Germany, Britain and Italy) and not willing to pose as the strongest of the remainder, subject to the clause that any further development requiring institutional changes must follow the procedure of formal treaty amendment, through an inter-governmental

conference, ratified by national parliaments. The Commission, the EEC monetary committee and the committee of EEC central bank governors would all have to be consulted.

The amendment also includes a preamble, recalling the occasion when member states have committed themselves to the ultimate goal of "economic and monetary union": in Paris in 1972, and in Bremen in 1978, when the EMS was founded.

The new text will add that in co-operating "they shall take account of the need to ensure the equilibrium of the position of being the weakest of the four big EEC countries (France, West Germany, Britain and Italy) and not willing to pose as the strongest of the remainder, subject to the clause that any further development requiring institutional changes must follow the procedure of formal treaty amendment, through an inter-governmental

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## Why Italy wants more powerful Parliament

BY JAMES BUXTON IN ROME

ITALY'S TRENCHANT insistence on radical reform of EC institutions, including a sweeping advance in the powers of the European Parliament, is based on a combination of immediate and more long-term motives.

It has proposed that the parliament be granted powers similar to those of national parliaments, including the right to amend proposals from the Council of Ministers at a first reading and to reject proposals by simple majority at a second reading.

The Government has argued that only with a stronger parliament can an unrestricted internal market be achieved. Such a market would never have been achieved in the US, it believes, if there had been only the equivalent of the European Commission in Washington.

One immediate reason for the

Italian insistence on its demands at the summit is that Mr Bettino Craxi the Prime Minister and Mr Giulio Andreotti, the Foreign Minister, were instrumental in the decision of the Milan summit in June to go for an inter-governmental conference to discuss ideas for reform, rather than settle for what Italy regards as the "minimalist" British approach to change at the summit which would not require a new treaty.

This gives Italy a vested interest in holding out for a big change in EEC institutions rather than settling for something that could have been achieved without the pain of the Milan summit.

Mr Andreotti has recently become a convert to the idea of closer European unity. He and Mr Craxi are well aware that the concept of greater European

integration is popular with the public in Italy, where each political party tries to outdo the next in being pro-European.

At a deeper level Italy has long been in the uncomfortable position of being the weakest of the four big EEC countries (France, West Germany, Britain and Italy) and not willing to pose as the strongest of the remainder, subject to the clause that any further development requiring institutional changes must follow the procedure of formal treaty amendment, through an inter-governmental

conference, ratified by national parliaments. The Commission, the EEC monetary committee and the committee of EEC central bank governors would all have to be consulted.

The amendment also includes a preamble, recalling the occasion when member states have committed themselves to the ultimate goal of "economic and monetary union": in Paris in 1972, and in Bremen in 1978, when the EMS was founded.

They point to the fact that there are far more instances of the Italian Government and Parliament failing to implement Commission directives and those of the European Court than there are of other EEC members. These range from Italy's long resistance to the Davignon plan for steel capacity cuts to its refusal to adopt its laws on hunting and shooting.

Mr Francesco Forte until recently the Minister for European Affairs, and a man close to Mr Craxi, said earlier this year: "Every political party tries to present itself as being the most pro-European of the lot. But in practice, most of our politicians and bureaucrats think and operate in a basically un-European way, despite the fact that most Italians are pro-European in an abstract sense."



Mr Giulio Andreotti: Convert to closer European integration

## Problems face Mitterrand on Caribbean tour

By David Housgo in Paris

THE FRENCH President, Mr François Mitterrand, travels to Martinique and Guadeloupe in the Antilles today for what is likely to prove a difficult three-day visit.

Both islands are French overseas territories where demands for independence have been stirred as was the case in New Caledonia—by the expectations created by the Socialist coming to power. In Guadeloupe, there was extensive violence earlier this year as elements of the independence movement turned to terrorist action.

In an interview before leaving, Mr Mitterrand made a strong condemnation of violence and terrorism. He said: "Whoever resorts to terrorism will have to deal with the force of the law and hence repression."

The independent movements, none the less, are looking to Mr Mitterrand for some gesture towards increased autonomy before the general election in March, which is likely to bring a right-wing government to power in France.

Mr Mitterrand did not rule this out in his interview. He said that changes in the constitutional status of the islands were a question for discussion. But he added that the "immense majority" of the electorate in Guadeloupe and Martinique had expressed the wish to remain part of France. In the presidential election of 1981, Mr Mitterrand scored only 19.4 per cent of the votes in Martinique and 21.5 per cent in Guadeloupe. In the latter, the local administrations have declined to lay on buses to bring the local population to see the President.

## Bonn holds talks on strike laws

BY RUPERT CORNWELL IN BONN

THE WEST GERMAN government, unions and employers will meet again today, against a background of rumbling labour unrest, in a new bid to reach a compromise in the dispute over a campaign to toughen the laws governing strikes.

The second round of talks follows an inconclusive first session between the three parties on Monday evening. By common consent, the prospects for real agreement are murky at best. But it is clear that all three are anxious not to be saddled with the blame for having provoked a collapse in negotiations.

The row revolves around demands from a broad swath of the ruling centre-right coalition—notably the liberal Free

Democrats (FDP), about 130 MPs from Chancellor Helmut Kohl's Christian Democrats (CDU) and the Bavarian-based CSU of Mr Franz Josef Strauss to do away with a clause in labour legislation obliging the state to pay workers idled by strikes in supplier plants.

The law gives unions to mount strikes was illustrated by last year's seven week stoppage in the engineering industry in support of 35-hour week. Selective all-out strikes in a handful of key component factories quickly brought the national car industry to a virtual standstill.

After a complicated legal battle, the federal labour office in Nuremberg was eventually forced to pay those laid off, at

an estimated cost of DM 200m (F54m).

Since then demands have grown for an end to this loophole, despite the agreement to talk, the two sides still seem far apart. The Government appears to be aiming for a compromise where a more restrictive policy would only apply to private-sector pay, it would increase the total degree of protection from 49 to 52 per cent.

The unions have dismissed this as a sham, and on Monday organised brief protest stoppages in hundreds of factories, notably in the engineering heartland of Baden-Württemberg, around Stuttgart.

## Jaruzelski visit provokes French outcry

By Paul Betts in Paris

THE SURPRISE visit to Paris of General Wojciech Jaruzelski, the Polish leader, provoked a storm of protests in France yesterday with major trade union movements including the pro-Socialist CFDT confederation and right-wing opposition parties condemning President François Mitterrand's decision to receive him.

General Jaruzelski arrived in France last night for talks with President Mitterrand today. It is his first visit to a West European country since the "state of war" was declared in Poland in December 1981.

The French Government gave no official explanation for the sudden visit except to say that the Polish leader, who had been on a tour of North African countries including Algeria and Libya, had asked for a meeting with Mitterrand.

The French section of the French Solidarity union called the French agreement to receive General Jaruzelski a betrayal. Right-wing opposition leaders criticised the visit as inconsistent with the French Government's so far generally firm position against the Soviet bloc.

The Government said the talks today would only last one hour.

General Jaruzelski is expected to seek French economic backing. He wants help for a further rescheduling of Poland's debt, for new international credits and for his country's efforts to join the International Monetary Fund.

President Mitterrand is expected to ask for concrete signs of improvement in human rights in Poland.

## Sweden outlines timetable for ending nuclear power

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE SWEDISH Government yesterday outlined its timetable for closing the country's 12 nuclear reactors during the first decade of the century.

The last station only began full commercial operation a couple of months ago, but the country's minority Social Democratic Government is still holding out for a referendum which calls for them all to be phased out by 2010. Mr Birgitta Dahl, Swedish Energy Minister, says it is "one of the basic goals of energy policy."

The timetable presented yesterday calls for the Government and the Swedish Parliament to decide in 1990 on a detailed plan for energy conservation and the promotion of alternative energy sources. Five years later, parliament should approve a schedule for the full phasing out of nuclear power, together with the necessary legislation for closing down

each of the reactors. Actual phasing out would begin towards the end of that decade. Sweden today has one of the highest per capita levels of nuclear power generation in the world. By next year, nuclear power should be providing half its electricity consumption.

Industry has begun to warn about the heavy costs of doing nuclear power and recent opinion polls have suggested that anti-nuclear feeling is weakening. Mrs Dahl insists, however, that "those who today doubt the possibilities for phasing out nuclear power are quite simply uninformed."

The Government also wants to cut oil and coal consumption to a minimum. The minister maintains that the present energy situation is radically different from the position planned for during the 1970s. Swedish energy consumption is only 60 per cent of that forecast 10 years ago.

## US-Turkish links tested as Congress considers Armenian commemoration

BY DAVID BARCHARD IN ANKARA

A DRAFT resolution due to come before the US Congress in the next few days has increased strains in Turkish-American relations as the two countries struggle to agree on a defence and co-operation agreement for the next five years.

The resolution, which appears to be a revival of one which tested Turkish-American relations in the autumn of 1984, would make April 24 a day of commemoration for Armenians allegedly massacred during World War One. Turkey rejects claims that there were any Armenian massacres and re-

gards the resolution as unacceptable.

Turkey's dealings with the US are tense because talks for the renewal of the defence and economic co-operation agreement seem to have run into a stalemate with a wide gulf between the two sides. If the agreement is not renewed before the middle of this month the existing agreement will presumably carry on.

Turkey is a key North Atlantic Treaty Organisation (Nato) ally of the US. It has a standing army of nearly 600,000, it borders with two Warsaw Pact powers including

the Soviet Union, it has a key role in Western electronic intelligence gathering from the Soviet Union, and it is well placed for the defence of the Middle East.

Turkey has, however, always drawn a distinction between its regional interests and its obligations as a Nato member, refusing to step outside the strict limits of the latter. It has also traditionally been eager to avoid offending either the Soviet Union or its Arab neighbours.

After Egypt and Israel, Turkey ranks as the third largest recipient of US aid,

receiving just over \$900m (£620m) annually. Turkish officials say this is insufficient to maintain its army, and also to be granted is bedevilled each year by malicious opposition in the US Congress from Greek and Armenian lobbyists.

Turkey is believed to have been pressing for seven major points in the talks this autumn. It is thought to want a higher level of US aid, perhaps about \$1.3bn a year, and this to be guaranteed over five years; the removal of Congress's ratio of 10 to 10 on military aid for Greece and Turkey, and an end

to congressional pressure on Greek and Armenian issues; more economic aid; more joint ventures in the arms industry; reduction of foreign military sales loans in favour of grants; a reduction in interest payments on loans already made; and the possible conversion of the agreement into a full treaty.

The US is believed to want more freedom to use bases in Turkey for purposes such as the use of the Rapid Deployment Force to defend the Gulf. The negotiations should in theory have been concluded by December 18 but no one in Ankara believes that is likely.

A visit last month to Moscow by General Necdet Urgan, the Turkish Chief of General Staff, though not linked to the talks, was regarded as containing a pointed warning to the Americans in its timing.

A visit to Ankara on November 2 by Mr Michael Armacost, the US Under-Secretary of State, attempted to set Turkish fears at rest. Mr Armacost pointed out that the US was helping Turkish defence efforts in a wide range of ways including the purchase of Rapier ground-to-air missile systems. He promised Administration support to tackle what he called "alien

factors," presumed to be a reference to ethnic lobbyists opposed to Turkey.

Americans appear to feel that Turkey's demands are beyond the power of any US Administration to extract from Congress.

It is assumed, however, that the US-Turkish alliance, the corner stone of Turkey's foreign and defence policies, is not in jeopardy. "The bargaining may be tough," but there is no doubt that an agreement, probably very much along the lines of the present one, will be reached eventually," says one Western diplomat.

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## AMERICAN NEWS

# Liberals sweep to victory in Quebec election

BY ROBERT GIBBENS IN MONTREAL

THE QUEBEC Liberals swept to victory in Monday's Quebec election, winning 89 seats in the 122-seat National Assembly. The Parti Quebecois, with its long-term aspirations for independence, was reduced to 23 seats from 60.

But Mr Robert Bourassa, 52, leading an extraordinary political comeback for the Liberals, narrowly lost in his own Montreal constituency by 329 votes. Mr Pierre Marc Johnson, 39, leading the PQ, kept his seat in another Montreal constituency by a small margin, but will have to quit as Premier. Eighteen PQ cabinet ministers went down to defeat.

Mr Bourassa will form his Cabinet within the next 10 days, open the National Assembly on December 16 and call a by-election as soon as there is a suitable vacancy so that he can enter the National Assembly.

The Liberals won 56 per cent of the popular vote, up from 46 per cent in 1981, and the PQ 39 per cent. Seven fringe parties shared 5 per cent but did not win any seats.

The Liberals say they have a margin of about C\$500m (£243m) to begin making tax cuts. The objective is to bring Quebec taxes down to the

## Navy halts fresh work with General Dynamics

THE US Navy said General Dynamics, the nation's third biggest defence contractor, will be suspended temporarily from new military contracts following a grand jury indictment against the company on Monday. Reuter reports from Washington.

Navy officials, who asked not to be identified, told Reuters the temporary suspension was expected to be announced late yesterday.

General Dynamics, which builds ballistic missile and attack submarines, was indicted in Los Angeles yesterday on charges of conspiring to overcharge the government in connection with work on the Divad anti-aircraft gun programme.

It would be the second sus-

pension for the company this year. The Navy earlier barred General Dynamics in connection with expense account charges, but lifted that suspension in August.

Mr Caspar Weinberger, Defence Secretary, said in a televised NBC interview yesterday that the company would not get any new government business until the latest charges were cleared up and problems in connection with the charges were corrected.

The indictment by a Los Angeles grand jury accused General Dynamics of overbilling the government by more than \$70m between 1978 and 1981 to make up for cost overruns on the since-cancelled Division Air Defense (Divad) gun.

## Economic indicators in US up by 0.3%

By Stewart Fleming in Washington

THE US Government's index of leading economic indicators rose a moderate 0.3 per cent in October continuing the steady gains it has been making since May, the Commerce Department reported yesterday.

The increase was welcomed by Mr Malcolm Baldrige, Commerce Department Secretary, who said that the increase is "consistent with the recent pickup in overall economic growth."

He said that "past relationships show that average gains of 0.5 per cent per month in the leading indicators are consistent with (the Administration's) 1985 target" of 4 per cent growth in real gross national product.

The Commerce Department also revised up from 0.1 per cent to 0.4 per cent the gain in the index for September.

Private economists continue to differ widely over the economic outlook. Many question whether the expansion is as vigorous as the third quarter rise in real GNP at an annual rate of 4.3 per cent reported last month seems to suggest.

Mr David Wyss, an economist with Data Resources, a US economic consulting firm, said yesterday he expects no real growth in the first quarter of 1986, but an acceleration to a real annual rate of 4 per cent in the second half of the year.

Separately, Mr Preston Martin, the vice chairman of the Federal Reserve Board, told a conference in Washington that the Central Bank "would do its part" to sustain the economic expansion next year.

He said that 1986 could see a recession even if economic policy is supportive of expansion.

Republican Party leaders hinted yesterday that President Reagan would not reject the tax reform Bill which the House Ways and Means Committee was scheduled to approve later and which is expected to clear the full House of Representatives shortly.

"He may be stuck with it," Mr Robert Dole, Senate majority leader, said after he and other Republican leaders had met with the President.

## In the footsteps of Columbus

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

AFTER alternating between ogling and pulling faces at each other in recent years, Western Europe and the countries of Latin America are finally starting to talk to each other. That, anyway, is the hope of those involved in the establishment this year of Irela, the Institute for European-Latin American Relations.

The idea of setting up an independent forum in which European and Latin Americans could meet on equal terms to work out ways of tackling common problems was mooted at the end of 1982 by a group of scholars, officials and journalists.

They argued that Latin America had well-established links with the US through the Washington-based Organisation of American States and the European Community had relations with its former colonies through the Lomé Convention, but that Latin America and Western Europe had no such permanent forum.

An organising committee was formed and mobilised support among Latin American and European governments, in the European Commission and in the European and Latin American parliaments. Last year the European Parliament in Strasbourg approved the first grant to Irela, allowing it to start a programme of meetings, research and the gathering and

dissemination of information. Its budget next year with money beginning to come in from Latin America as well, could exceed Ecu 1m (£870,000).

Irela has found temporary accommodation in Madrid on the eve of Spain's accession to the Community and has received a warm welcome from many Spanish politicians, keen on making their country the new axis of European-Latin American relations.

In Latin America itself, the Governments of Argentina, Peru, Brazil, Venezuela and Costa Rica have expressed interest in setting up its Latin American headquarters in their countries.

The work of getting off the ground has fallen principally to Mr Wolf Grabendorff, a former correspondent for German television in Buenos Aires who went on to work for a federal German Government think tank near Munich.

He has had to overcome suspicions that Irela would be too Right wing or too Left wing, doubts about the Community's willingness to support the new venture and concern among Latin Americans that the Institute was merely a public relations exercise for the Community.

As Irela's full-time director, he works with the original organising committee among



Mr Wolf Grabendorff winning support from both sides

whose members are Mr Allan Wagner, the Peruvian Foreign Minister and Mr Alain Rouquie, the French ambassador in San Salvador. Advising the Institute is an influential international committee whose membership ranges from novelists Graham Greene and the Mexican Carlos Fuentes to Adolfo Suárez, the former Spanish premier.

In the course of this year Irela has helped to organise inter alia three conferences on Central America in Brussels, Mexico and Costa Rica, the first inaugurated by Mr Claude Cheysson, the European Commissioner, and former French Foreign Minister.

Next year's programme includes a conference on Latin American debt in Lima, staged with the help of the Peruvian Government and the Council of Europe, a gathering on economic co-operation in Montevideo sponsored with the Uruguayan Government and the UN Economic Commission for Latin America and the Caribbean, and a seminar on the Falklands issue to be held in Milan.

The new Institute's work will not be wholly political. Industrialists and bankers in both regions have shown interest, and Irela hopes to sponsor some gatherings on themes such as the transfer of technology between the two regions. Cultural matters will also be pursued.

There is certainly no lack of work for Irela to tackle. With the signing last month of a pact between the Community and Central America and the continuing overhang of Latin America's international debt, relations between the two regions will deserve a great deal more study and interpretation.

Some governments are already laying plans for the 500th anniversary of Columbus's voyage of 1492, the first recorded episode in Europe's relations with the New World. Irela expects to be involved in that commemoration.

Hugh O'Shaughnessy is one of the founder members of Irela.

## McDonnell Douglas wins Star Wars missile contract

BY OUR U.S. EDITOR IN WASHINGTON

THE PENTAGON has selected McDonnell Douglas to design and test an interceptor missile to destroy incoming nuclear warheads in the upper atmosphere as part of President Ronald Reagan's Star Wars space defence programme.

The new weapons would be used at heights of less than 300,000 feet to mop up warheads that had penetrated the outer layers of the defensive shield.

The proposed McDonnell Douglas missile, to be known as Hedi (high endoatmospheric defence interceptor) would complement a much longer-range missile, for which the Pentagon awarded the contract to Lockheed last month. Both would be launched from fixed ground-based sites, in accordance with the 1972 anti-ballistic missile (ABM) treaty. The Pentagon stressed.

The Lockheed missile, known

## US army reserves 'not ready' for war in Europe

BY REGINALD DALE, US EDITOR, IN WASHINGTON

THE US could have considerable difficulty rushing enough army reserves to Europe to hold the line in the early stages of a conflict with the Warsaw Pact, according to a report by the Independent Congressional Budget Office (CBO).

The quality of US reserves has improved over the past three years, but most reserve units are not ready or only "marginally ready" for combat, the report says. The CBO finds "considerable cause for concern, especially in the equipment area." It suggests that they would be 25 per cent short of their needs in dollar terms by 1988 for critical equipment items.

In the first 30 days of a major war in Europe, 42 per cent of all the US Army's required forces would have to be made up by reserves, the CBO says. Nato strategy is to

blunt a Warsaw Pact conventional attack by pouring in reinforcements from the US, so as to avert the need to "go nuclear."

The report suggests, however, that the reserves would be better able to meet their requirements in the later, rather than the early stages of a war—particularly as the army is continuing to increase its reliance on reserves for combat support (artillery, engineering and combat service support).

The reserves would be required to play a much greater role earlier in the conflict than in past wars, the report says. The army could meet its requirements for deploying reserve combat units, but shortfalls of 30 per cent or more could occur in combat support and combat service support in the first 30 days, the CBO says.

## Brazil to repay part of failed banks' debt

By Richard Foster in Brasilia

BRAZIL'S Central Bank has announced that a 25 per cent payment will be made on unguaranteed debts of three banks which the Government closed down in an emergency action two weeks ago.

The Central Bank offer would include a payment of 25 per cent against some \$450m (£204m) in loans made by foreign banks to Banco Comind, Banco Auxiliar and Banco Maissonave.

Two weeks ago Fernando Braucher, the Central Bank president, said Brazil would not cover the potential losses of foreign banks. The money is owed to an estimated 100 banks including major and regional banks in the US and at least one major British bank.

The Central Bank's previous refusal to honour the foreign credit was expected to create difficulties for Brazil in future talks with its foreign creditors. In past years the Brazilian government had covered such losses.

Mr Braucher travels to New York next week to seek a renewal of the country's short term interbank credit now totalling \$15bn. Mr Braucher also needs banker support to reschedule Brazil's \$100bn foreign debt without International Monetary Fund monitoring which the Brazilian government rejects.

The announcement that Brazil will pay a proportion of the banks' unguaranteed foreign loans is an indication that it has softened its tough stance in the hope of winning concessions on larger debt problems.

Comind and Auxiliar were the country's eighth and fifteenth largest banks respectively. The Central Bank closed them down after repeated failed attempts to nurse the banks back to health with infusions of taxpayers' money.

The foreign loans were made to the failed banks at the beginning of this decade without direct government guarantees. The banks then re-lent the money to private Brazilian borrowers. About 10 per cent of the \$450m is still in Central Bank coffers unlent. The remainder is owed by large Brazilian companies with good credit ratings according to the Central Bank.

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## OVERSEAS NEWS

## Aquino to oppose Marcos in presidential poll

BY SAMUEL SENOREN IN MANILA

MRS CORAZON AQUINO, widow of assassinated opposition leader Benigno Aquino, announced yesterday that she would run for President against Mr Ferdinand Marcos whom she accuses of having her husband killed.

The announcement, made at a press conference in Makati, a suburb of Manila, drew a standing ovation from hundreds of cheering supporters and ended months of speculation on who would be Mr Marcos' opponent in the presidential election set for February 7.

Mrs Aquino picked Mr Salvador Laurel, the former senator, as her running mate for the vice presidential slot but has yet to consent to the draft. Mr Laurel also aspires to the presidency although some opposition leaders believe he may settle for the number two slot.

A Aquino-Laurel ticket would pose a formidable challenge to Mr Marcos who called the election in a bid to overcome the country's deep-seated political and economic problems. Mrs Aquino's announcement came a few hours after President Marcos signed a Bill setting up a special presidential election which he claims will prove he still enjoys widespread popular support.

Asked what she felt about the acquittal of General Fabian Ver, the armed forces chief accused of conspiring to kill her husband in 1983, Mrs Aquino said:

she was "fabbegasted." "If General Ver can't even provide security for one man (referring to her husband) how can the same man defend 4m Filipinos?" she asked.

Gen Ver's reinstatement by Mr Marcos drew an adverse reaction from US officials who had warned Mr Marcos it would not sit well with the US Congress.

A number of US Congressmen have warned they would seek an end to US military aid to the Philippines if Gen Ver was reinstated.

Mr Marcos said yesterday, however, the US had already withheld release of \$60m (£40.5m) worth of military equipment under a US military assistance programme.

Gen Ver's return to power is expected to become a major political issue during the campaign.

In the meantime, however, the special election is being questioned by a group of lawyers and opposition legislators who asked the supreme court yesterday to declare it unconstitutional.

The petitioners, led by the Philippine Bar Association, contended that no special presidential election could be held unless the presidency was vacant.

To circumvent the provision, Mr Marcos had offered to resign but only after the elections, contending that the action satisfied the constitutional requirement.

## Narcotics trade is dilemma for Egypt

By Tony Walker in Cairo

WHEN THE price of dollars in Egypt's black market shot up recently, part of the blame in banking circles was placed on demand by drug dealers for hard currency to satisfy a booming local trade in hashish and increasing use of heroin and cocaine.

Estimates of the value of illegal drugs sold locally range up to \$1bn, which is equivalent to more than half the cost of Egypt's annual food imports.

The authorities are deeply concerned about Egypt's growing reputation as a big market for narcotics. Gen Ahmed Ruzhdi, the Interior Minister, recently said he was considering rounding up all smugglers and dealers in narcotics under the emergency law in force since the 1981 assassination of President Anwar Sadat.

Gen Ruzhdi said he was also considering the drafting of a Bill requiring mandatory capital punishment for people caught smuggling or trading in "white poisons," namely heroin and cocaine.

The sentencing this week for narcotics possession of Magda Khatib, one of Egypt's best known actresses, to five years' jail with labour, has served further to focus public attention on the problem.

Gen Mohamed Hosni Abdel Azim, deputy chief of the Narcotics Bureau, described heroin trafficking as a "big problem" and said amounts seized this year had increased sharply.

In the seven months to the end of July, seizures totalled about 35kg of heroin compared with 19.2kg for the whole of 1984 and 11kg for 1983.

The total number of those charged with drug use in Egypt from January 1 to July 30 was 4,294, a big increase over the corresponding period last year.

Gen Azim said the main sources of heroin imports were Lebanon, Syria, India and Pakistan. There are no reliable figures about drug use in Egypt. Estimates of the number of users (mainly hashish) range up to 750,000 and the number of heroin addicts could be as high as 100,000.

Gen Azim said the street value in Cairo of heroin from Lebanon or Syria—the premium variety—was about £210,000 (\$73,000).

A recent World Health Organisation survey of 700 students at Cairo University showed 36.4 per cent had tried hashish or other drugs.

In the 1920s, Egypt was a major centre of drug addiction. It has been estimated that at one time there were as many as 500,000 drug addicts out of a population of 14m.

## John Elliott talks to Bangladesh's military head, who has promised return to democracy

## Ershad trawls for political support

"YOU STUDENTS have education. It's your job and duty to tell the people in your village to boil pond water before they drink it. Do you expect the Government to boil the water for you? This isn't America, you know; this is a poor country and you can't depend on the government for everything."

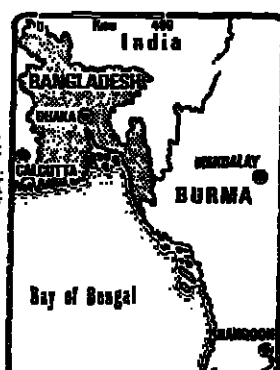
The speaker was President Ershad, military ruler of Bangladesh, who interrupted a helicopter tour of rural administration centres in the Ganges delta on Monday to investigate a suspected cholera outbreak in the village of Nitchit.

The tour was part of Lieutenant General Ershad's bid to establish himself politically as a popular civilian president while at the same time checking on the efficiency of new local government centres.

This weekend the Bangladesh President acts as host to the first summit of South Asian leaders, including Mr Rajiv Gandhi of India and Gen Zia ul-Haq of Pakistan. He is anxious to demonstrate that he is running a moderate style of military rule and is not an oppressive dictator.

"I intend to hold elections in 1986 and the time I am quite sure that they will take place on the declared date," he said yesterday in an interview in his Dhaka home.

He said he would not cancel the elections he did earlier this year, just because opposition parties threatened to boycott them. Although he would not confirm dates until after he holds talks later this month with



political parties, the elections are likely to take place in next March or April or in November.

"The opposition parties are afraid to go to elections," he said, firing a view widely held in Dhaka. "They have played into my hands and made a mistake by boycotting the elections and giving me more time—and maybe now I have earned the confidence of the people of the country." He described his military dictatorship as "more democratic than those who have ruled here in the name of democracy."

Gen Ershad seized power in a bloodless army coup in March 1982 and has governed the country's 100m population, 80 per cent of whom live below the poverty line, with relatively few major civil or economic problems.

Earlier this year, in a referendum widely regarded as rigged, he was elected President until full elections are held. Although he has not formally declared himself a full Presidential candidate, he said yesterday: "If the people want me to be President, why not?"

His aim now is to establish sufficient support for himself and the parties that back him within a new Jatiya (national) Front so that he and they can be elected legitimately to full Presidential and parliamentary terms.

This would mean a defeat for the established opposition parties, apart from the Jamaat-i-Islami party, which has been gaining appeal in this gently Muslim country. The others are rapidly losing credibility.

Marital law would end after the elections but Gen Ershad wants a continuing role for the army, which at present has five of its 25 serving major generals in the Cabinet and other senior

officers administering the regions and judicial system.

Some generals feel however that the time has come to pull back into their barracks and are worried about the army being weakened by corruption, which is increasing among some officers, especially those involved in the judicial system. But other officers are less keen to give up power and none is thought willing to pull out until Gen Ershad is strong enough politically to defeat the old opposition parties.

Like Gen Zia in Pakistan, Gen Ershad does not want his country's old political parties to return to power. Both are having considerable success in exposing and exploiting their parties' poor leadership, lack of popular policies, and general ineffectiveness.

In both countries general apathy and distrust about the abilities of the parties, rather than enthusiasm for the military rulers, have kept the two generals in power. In neither country is there any indication outside urban areas of a widespread wish to upset relatively benign administrations.

"The poor know they will be kicked by whichever government is in power, so why should they help the political parties which have failed in the past, when the new rulers might actually be worse than the army," says a distinguished former Bangladesh public servant.

General Ershad is credited by many people however for having introduced a new tier of local councils which give devolved executive responsi-

bility to elected representatives and increase local involvement in development schemes.

About 480 of the councils, called upazilas and covering an average of 260,000 people, have been set up in rural areas during the past two years, staffed by civil servants from Dhaka but headed by local chairmen.

Gen Ershad has visited 370 of them in the past two years, talking to councilors, officials and farmers about practical problems. He has been developing a popular political image, which does not come easily to this withdrawn and stern-looking 55-year-old soldier.

On Monday he wore civilian clothes—grey trousers and a light blue open-necked shirt and pullover—but flew in a khaki Air Force helicopter accompanied by senior officers and stenographers carrying soldiers all in camouflage battle dress.

Many of the upazila chairmen have switched their allegiance from old opposition parties such as Awami League and the Bangladesh National Front to pro-Ershad parties in the Jatiya Front, often in order to ensure a steady flow of the development funds of taka 10m (about £330,000) a year which are allocated to each of them.

It is in Nitchit and the other upazilas that Gen Ershad hopes to establish his political base. "The days of the old political parties are over and their leadership cannot deliver anything to the nation. We need a new younger generation," he said.

It is a view that is developing generally in the country and one for which the disorganised opposition parties have only themselves to blame.

Anthony Robinson examines the latest study by the Institute of Race Relations

## South African survey spotlights apartheid system

EVERY YEAR the South African Institute of Race Relations produces a survey which shines an unblinking light on the country's all-pervasive apartheid system.

This year the survey runs to a record 982 pages, a condensing of all aspects of South African life, from trade unions to deaths in detention, from shebeens (illegal drinking dens) to homeland politics, the state of the economy and foreign relations.

The survey acts as a social early warning system, carrying this year a special section on changing attitudes towards the Government by the business community and its increasingly vocal commitment to reform and dialogue. The early signs of growing conflict between black political groups are noted in a 100-page section devoted to white, coloured (mixed-race), Asian and black politics and to the new constitution.

The director of the institute, Mr John Kane-Berman, believes its existence is proof of the tenacity of the liberal tradition in South Africa, as well as the central role of race in the South African dilemma.

Mr Kane-Berman, author of the most authoritative account of the 1976 Soweto uprisings, believes South Africa is torn between black anger and white fear. "There is no future outside of a practical compromise between them," he says.

The Government has lost faith in the apartheid blueprint, he believes, but observes that "when an entire political structure, with hundreds of laws to back it, has been built up over 40 years with the single overriding purpose of imposing apartheid in every nook and cranny of national life, it cannot simply be stopped overnight."

He says that President P. W. Botha, faced with unprecedented foreign as well as domestic pressure for the abolition of apartheid, has taken to mocking those who fail to see that South Africa has moved on to what he now likes to call an era of "co-operative co-existence."

Mr Kane-Berman is adamant that apartheid is still extensive and all-pervasive. "Without our report

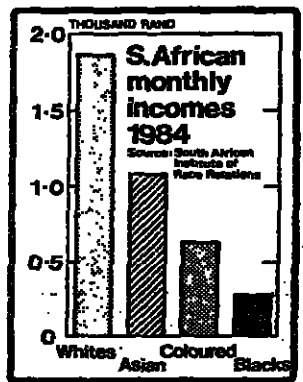
nobody would know about most of it, except the victims," he says.

The system is shown up in the details of the survey. Average monthly household incomes in 1984 were R273 (about \$103) for blacks, R824 for coloureds, R1,072 for Asians and R1,834 for whites.

The average expenditure on a black school child was R234 against R1,654 for a white child. The ratio is seven to one, but 14 years ago, before the Government committed itself to raising black educational standards, the ratio was 18 to one.

In the meantime, the black school population has increased enormously. Racial reclassification in 1983 under the Population Registration Act, the linchpin of racial legislation, converted four whites into coloureds, 462 coloureds into whites, 15 Indians into Malays and 71 blacks into coloureds, the survey says.

It shows that black workers in the gold mines earned an average of R285 per month in 1983, compared with R1,586 for white miners. "We publish the figures and let the data and it is up to our readers to do what they like with them," Mr Kane-Berman says. "The survey's attitudes have changed over the years from outright hostility and suspicion to acceptance of the institute's uncomfortable but impartial approach."



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Business is increasingly recognising the value of the institute's data base and analytical skills in providing the facts for its own appeals to Government for faster progress towards reform.

The institute's continuing existence is probably one indication that South Africa may be able to find the strength and the means to evolve the kind of complex multi-racial partnership towards which it is groping in such a painful and traumatic way.

Race Relations Survey 1984, SAIRR Box 97, Johannesburg, South Africa. 326 surface. 336 air mail.

To maintain the institute's independence Mr Kane-Berman has reorganised it, raised membership charges and made it virtually self-financing.

Income from membership has quadrupled to R335,000 in 15 months with large foreign and domestic corporations paying R5,000 for corporate membership and smaller companies R1,500. Individual members pay R40.

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## WORLD TRADE NEWS

## Deng gives Japan tough warning on need to balance trade

BY ROBERT THOMSON IN PEKING

THE Chinese leader, Deng Xiaoping, has issued a stern warning to Japanese officials that unless trade between the two countries is balanced, further economic contacts will be "impossible."

Sino-Japanese trade has become a sensitive political matter here, following a series of student protests against China's close links with Japan and, as the students have called it, Japan's "economic invasion."

Mr Deng's warning came during a meeting with a delegation from the Japanese Association for the Promotion of International Trade, led by the association's chairman, Mr Yoshio Sakurachi.

The Chinese news agency, Xinhua, said Deng told the delegation that it was "of great importance" for Japanese authorities to "explore ways of developing trade between the two countries, which is by no means an easy task."

Diplomats expect that Japan

will record a trade surplus this year of about \$6bn (£4.2bn). China's imports from Japan more than doubled in the first half, while exports rose only 11.2 per cent. Last year Chinese exports were \$5.95bn.

Several Chinese officials have said that the trade deficit must fall, but rarely has such a warning been issued by the Chinese leader.

"If the imbalance in Sino-Japanese trade is not corrected, it is impossible for China and Japan to further their economic contacts and trade," Xinhua quoted Deng as saying.

"It is all right for China to suffer a deficit in its trade for the first and second years, but certainly not for a third year," he said. The Chinese Government will work with the Japanese Government and businessmen to solve the trade problem.

China has taken a tough line on imports since the middle of this year, particularly tightening

control on consumer goods and motor vehicles, for which Japan had been the largest supplier. The Chinese were particularly disturbed by a slump in foreign exchange reserves, a slump blamed mainly on a flood of imports.

Numerous articles have appeared in the Chinese press recently pointing out that close economic ties with Japan were a necessary part of the modernisation drive, though the reports have also suggested that bilateral trade will need to be balanced.

Students, who have protested in several Chinese cities, have accused the Japanese of dumping poor quality goods on the Chinese market and questioned the wisdom of closer economic links.

The protests came in the wake of celebrations to commemorate the 40th anniversary of the end of what is known here as the "Anti-Japanese War."

## HK chooses consortium for harbour tunnel

By David Dowdell in Hong Kong

THE HONG KONG Government has chosen the consortium that will be awarded the heavily contested HK\$350m (£278m) contract to build the territory's second cross-harbour tunnel, but for "technical" reasons will not announce its decision until tomorrow.

The front-runner to win the contract is a mainly Japanese consortium headed by Kumagai Gumi. This consortium recently strengthened its team by incorporating the China International Trust and Investment Corporation (CITIC) as a financial backer, and the civil engineering group P&Y of Hong Kong, and Lilley Construction of the UK.

The contract to build the Eastern Harbour crossing, which will link Quarry Bay on Hong Kong Island with Sha Kwo Ling in Kwan Tong on the mainland, is one of the biggest civil engineering contracts being tendered in Asia. The tunnel which will carry road and rail traffic is due to be in use in 1989.

Of the original nine consortia that bid for the contract only the one headed by Kumagai of Hong Kong remains a serious competitor to Kumagai Gumi. The Gammou consortium includes Nishimatsu and Mitsubishi of Japan, and GEC of the UK.

Hong Kong's Executive Council, the Territory's inner cabinet, yesterday ended months of deliberation when it reached a final decision on placing the contract.

Normally the decision would have been announced immediately. The Government refused to specify why delay was necessary, but insisted it was due to purely technical reasons.

## UK talks key to new steel pact

BY PAUL CHEESEBRIGHT IN BRUSSELS

THE IMMEDIATE future of the wide-ranging four-year steel sales restraint agreement between the EEC has been thrown into doubt by the UK's decision to withdraw its support for the pact.

The UK wants to avoid this so that next year BSC can supply 250,000 tonnes of semi to Tuscaloosa and increase shipments in the following years.

The US is understood to accept BSC supplying 200,000 tonnes in 1986. This would be in addition to the 400,000 tonnes it is prepared to allow the EEC as a whole before taking unilateral import safeguards.

Already, the US has suspended "immediate delivery" privileges which speed Community steel through customs procedures.

But the UK is concerned

subject to quantitative restrictions in the agreement. But the fear is that an increase in sales will prompt the US to impose import curbs.

The UK wants to avoid this so that next year BSC can supply 250,000 tonnes of semi to Tuscaloosa and increase shipments in the following years.

The US is understood to accept BSC supplying 200,000 tonnes in 1986. This would be in addition to the 400,000 tonnes it is prepared to allow the EEC as a whole before taking unilateral import safeguards.

Already, the US has suspended "immediate delivery" privileges which speed Community steel through customs procedures.

But the UK is concerned

about what will happen after 1986. It is accepted that the US will not want to be committed to a specific tonnage.

So BSC negotiators in Washington have been looking into the US position to see whether there is flexibility to permit tonnage higher than 400,000 through the use of a mechanism which would allow higher sales in the event of short supply in the US.

Tuscaloosa Steel is apparently pressing the Reagan Administration to accommodate BSC. It claims that high quality plate will displace plate imports on the US market. In addition the Reagan Administration may be sympathetic in the hope that this will bolster the chances of a threatened Republican Senator

from Alabama in next year's elections.

If the UK holds back from accepting the overall agreement, then the Reagan Administration would probably be forced to place unilateral restrictions on the whole range of EEC steel sales from January 1.

This would provoke retaliation and open the prospect of a more damaging trade dispute with the EEC than has been seen in recent years.

But the UK has been under intense pressure from its EEC partners not to jeopardise the whole agreement for the sake of one product.

European steel companies, anxious for stability on the US market, have been urging their governments to express displeasure with the UK.

## S. Koreans link with Tunisia on steel plant

By Francis Ghiles

TWO South Korean companies, Pusan Steel Pipe Industrial and Samsung, are forming a joint venture company with the Société Industrielle d'Acide Phosphaté (SIAP), the state Tunisian company, to manufacture steel pipes.

The new company will be capitalised at \$10m (£7m), of which Pusan Steel will hold 19 per cent, Samsung 11 per cent and the Tunisians 70 per cent.

Pusan Steel will invest an additional \$22m to construct a plant near the town of Sfax, near Tunis, and the country's second largest industrial centre.

## Pakistan plans to launch countertrade experiment

BY MOHAMMED AFTAB IN ISLAMABAD

PAKISTAN plans to launch a countertrade experiment which could be worth as much as \$2bn (£1.4bn) in a bid to find new markets.

The Ministry of Commerce has already selected three European companies to undertake countertrade worth \$1bn, the Minister of Commerce, Mr Salim Sufullah Khan, said.

Sukab of Sweden and Marco of Switzerland will undertake \$400m each and Mitsubishi of Japan \$200m.

Mr Khan added: "We intend to select a few more, say four or five to engage in countertrade."

"We are signing only one-year contracts and we will be

strictly monitoring the progress of the experiment."

"With these three parties the total trade envisaged is of \$1bn, half a billion each way... Another \$1bn will be contracted with the other four or five parties to be selected."

Pakistan wants to import oil, tea, edible oil, and fertiliser, and to export cotton, garments, leather, hides and skins, fruit and vegetables, engineering, foods, rugs and carpets, and surplus steel-mill products.

Some of these items have been hit by a declining international market and intensive competition.

Pakistan's annual exports are around \$2.5bn while imports are \$6bn.

July 1985





## BEDS

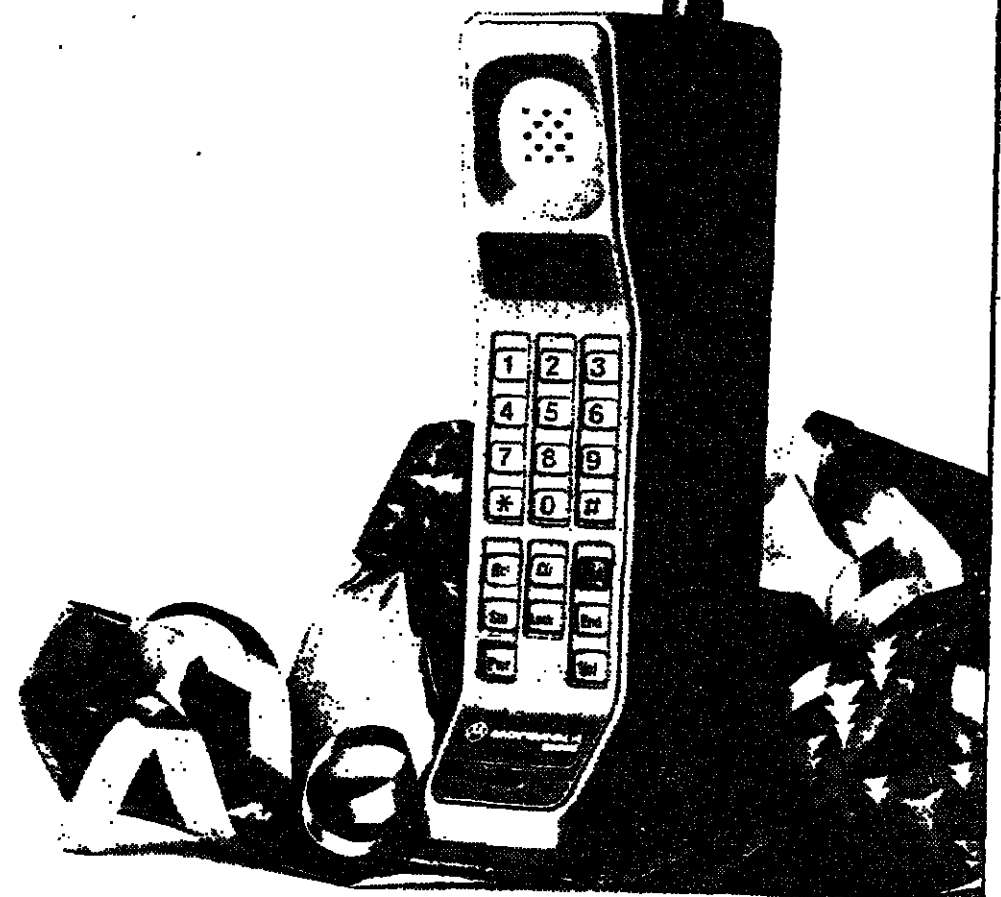
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## Unilever appoints new UK chairman

Mr. Erbe's place as head of the company's committee is going to Mr. Patrick Egan, a director of Unilever. His promotion is seen as a harbinger for more successful disposals of a number of UK-based subsidiaries.

Unilever is also to have its first American board member, Mr. Wal-ter Grubman. Mr. Grubman has spent his career with the US chemical group National Starch, which Unilever acquired for \$485m in 1978 at a time when Mr. Angus was its group head of chemicals. Mr. Grubman is chairman of National Starch.

## Imperial Gr stores joint

However, NatWest estimates that over the last year it has lost about 60,000 customers to banks exempting current account holders from charges if they stay out of the red.

make and ministers outside the Ministry of Defence took no view on whether the European or the Fiat-Sikorsky options were preferable.

He hoped that the same commitment applied to rooting out the financial irregularities which were harming the reputation of the City.

Mr Biffen left MPs in no doubt, however, that the Government regarded the report as the work of political innocents and had no intention of acting on its recommendations.

Mr Michael Pickard, chairman of Imperial Brewing and Leisure, said: 'We know that the convenience store is one of the most important innovations to hit the retail scene. With our experience in retailing we are in an ideal position to make the

October and November was much larger than in previous months and would therefore have been consistent with increased intervention in the wake of the Group of Five finance ministers' meeting at the end of September.

BR's fleet of 2500 diesel-electric freight locomotives is old. More than 90 per cent of them were built

Approval of the Items of the Agenda will require no quorum and the  
maiority vote of a majority of the shares present or represented at the  
meeting.

Subject to the limitations imposed by law and the Articles of Incorpora-  
tion of the Fund, each share is entitled to one vote. A Shareholder may act at  
the Meeting by proxy.

Dated: November 12th, 1985

By order of the Board of Directors

[illegible]

For the six month period  
4th December, 1985 to 4th June, 1986  
in accordance with the provisions of the Notes, notice is  
hereby given that the rate of interest has been fixed at  
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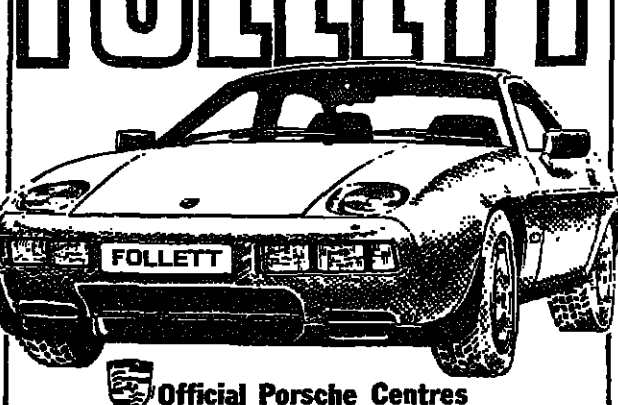
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## Bedford truck chief recalled to GM luxury car division

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MR J. T. BATTENBERG III, who for the past 2½ years has supervised a £80m major rationalisation programme at the Bedford commercial vehicle organisation in the UK, has been promoted within the General Motors group and called back to the US.

GM said yesterday that his successor as chief executive and general manager at Bedford would be announced shortly. This suggests another American will be appointed once UK work-permit technicalities have been cleared away.

Mr Battenberg, 42, has become product manager of GM's Flint luxury car group, part of the new Buick-Oldsmobile-Cadillac group, in the US.

He joined Bedford in April 1983 from General Motors Continental, Antwerp, where he had been managing director for three years.

He took over in the UK shortly after Bedford had been separated from GM's Vauxhall car business and became part of the US group's world truck and bus organisation, based at Pontiac, Michigan.

Since then, at the cost of about £30m, Bedford's van operations at

Luton, north of London, have been consolidated from 13 to two buildings, a new paint facility has been installed and lines set up to produce two light vans based on Japanese designs: the Midi (based on an Isuzu vehicle) and the Rascal (from a Suzuki design).

Bedford's truck capacity at Dunstable, also north of London, has also been reorganised from four into two buildings, and capacity reduced from 50,000 to 30,000 vehicles a year.

This expensive transitional phase in Bedford's history — Mr Battenberg describes it as "one of the finest examples of industrial regeneration to be found anywhere in the industry" — has contributed to the company's huge losses: £62.4m last year compared with £53.2m in 1983.

Bedford set itself a target of returning to operating profits next year, but Mr Battenberg recently admitted that the organisation would have great difficulty meeting that objective.

Mr Battenberg joined GM in 1981 and spent most of his career with the group's car assembly division, GMAD.

## UK NEWS

### Companies 'unaware of venture capital'

BY WILLIAM DAWKINS

BRITISH INDUSTRIAL companies pay scant attention to venture capital by comparison with their US counterparts, Ms Sue Lloyd, editor of UK Venture Capital Journal, said yesterday.

Speaking on the final day of the FT/British Venture Capital Association Financial Forum in London, Ms Lloyd pointed out that US corporations had for long used venture capital investment to gain access to new technologies. Increasingly, they were taking the process a stage further by forming joint ventures with such businesses.

Last year, for instance, US corporations made 195 strategic investments in venture-backed companies. In the UK, however, some large companies did not seem to be aware of what venture capitalists were doing.

Ms Lloyd pointed out that independently managed British venture capital funds — the fastest-growing sector of the industry — had raised £750m since 1979, more than half of which came in since the beginning of last year. About 40 per cent of the total came from pension funds, the largest investors in the field, though insurance companies were playing an increasingly important part in risk investment, she said.

About £630m had been invested in venture capital — excluding most

of the placements made by 31 — in the three years to the end of 1984, of which £285m was disbursed last year alone. Individual investments were getting larger and more funds were following specialist investment strategies. Ms Lloyd said that 14 of the 18 new venture capital funds to have been launched this year were focused on specific industrial sectors.

The forum is designed to permit young companies to make presentations before an audience of potential investors and corporate advisers. Mr Colin Clive, managing director of the venture capital group Thompson Clive & Partners and vice chairman of the BVCA, said that 20 of the 42 companies to have appeared in the previous two forums had since raised further finance. Five of those attributed this to their appearance at the forum. Three had since achieved public quotations, while two had been taken over and two had gone into receivership. Thirteen companies made presentations yesterday.

**FINANCIAL TIMES**  
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### Minister rejects cut in EEC import quota

BY KEVIN BROWN

AN INCREASE in the EEC production quota for British sugar beet cannot be obtained at the expense of a cut in the import quota for cane sugar from outside the Community, Mr John Gummer, the Minister of Agriculture, insisted in the House of Commons.

Mr Gummer said it was quite clear, however, that the production quota did not reflect historical production levels.

He was opening a debate on proposed EEC support arrangements for sugar and starch, which have provoked a bitter dispute between British beet producers and refiners

of imported cane sugar.

Mr Gummer faced frequent interruptions in a debate on the Community proposals from MPs concerned that a cut in cane imports might affect jobs at Tate & Lyle's refinery at Greenock in Scotland. Other MPs were pressing hard, however, for an increase in the British beet quota, for which the beet producer British Sugar has been campaigning.

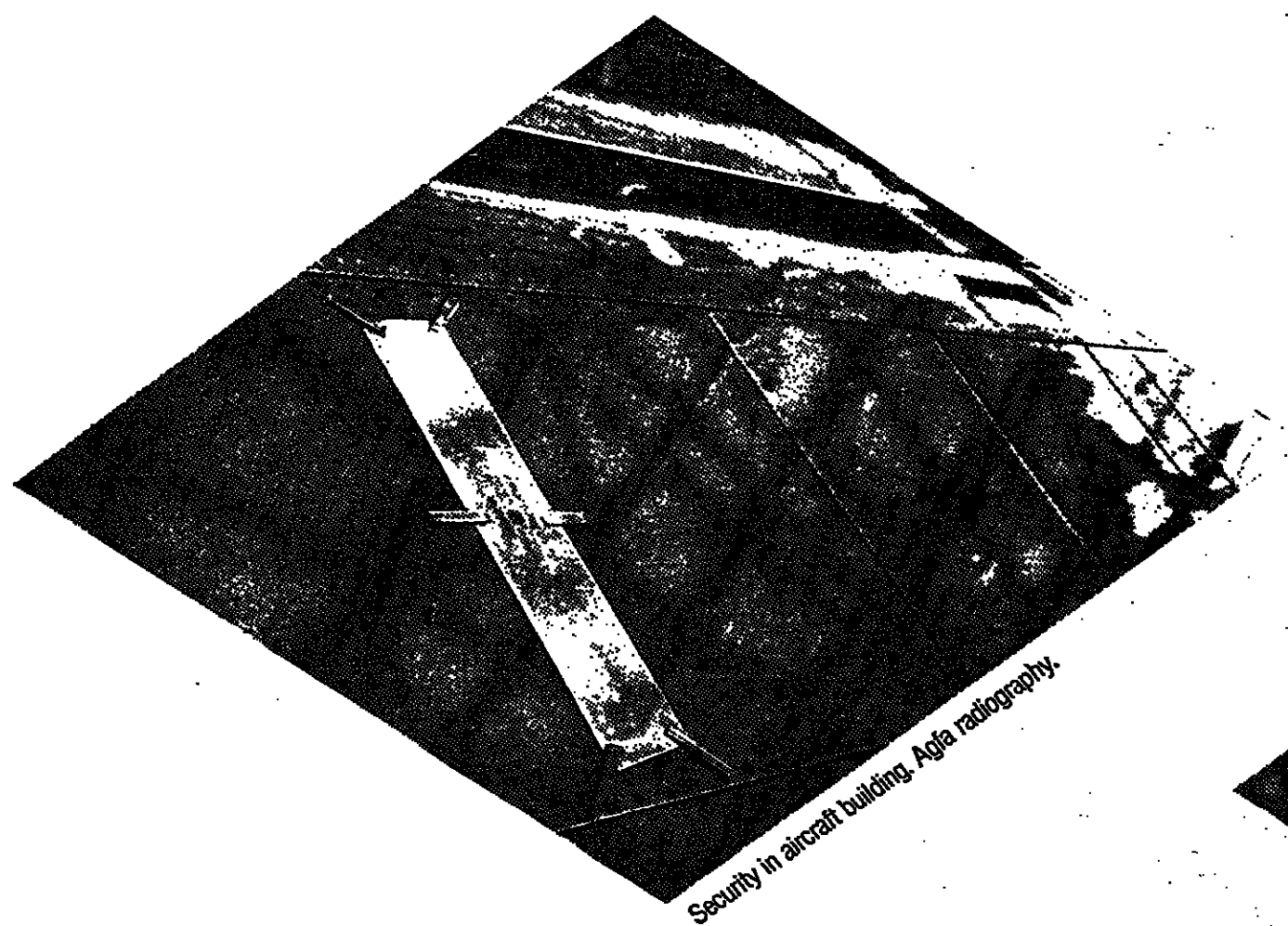
There was also strong opposition on the Labour benches to any reduction in the Community's imports of cane sugar, which it was feared would seriously damage producing countries.

### Some business travellers will change neither hotel nor newspaper.

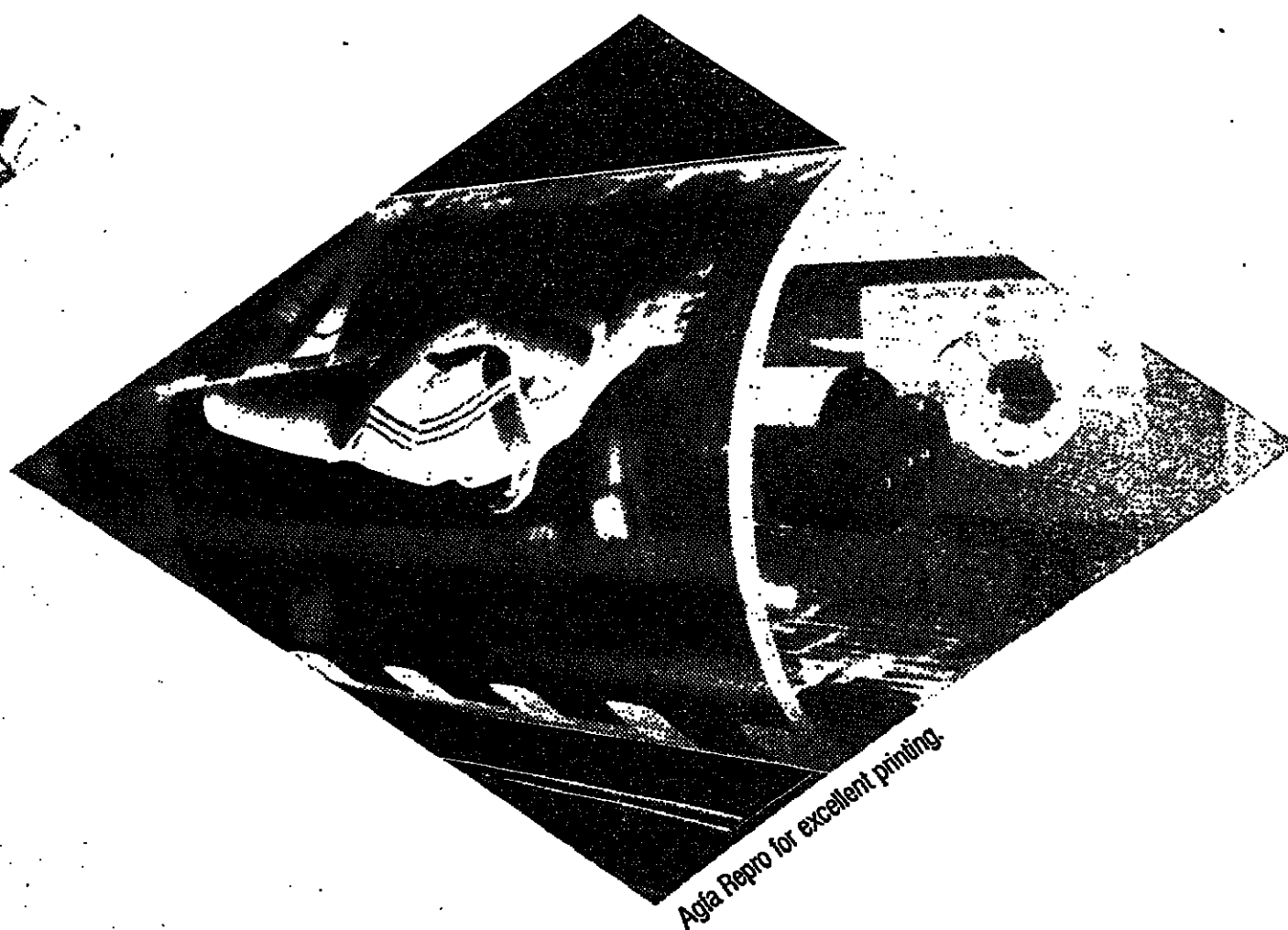
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## UK NEWS

ARCHBISHOP'S REPORT SHOWS DETERMINATION TO BE INVOLVED IN 'REAL WORLD'

# Inner city deprivation deepens

BY ROBIN PAULEY

THE ARCHBISHOP of Canterbury's commission of inquiry into the state of Britain's decaying inner cities concludes: "We have found faith in the city," which is remarkable given the unrelenting picture of deprivation, misery and abject poverty painted in its report.

Dr Robert Runcie set up the commission in July 1983 under the chairmanship of Sir Richard O'Brien, former chairman of the Manpower Services Commission. The report's conclusions imply a deep and comprehensive criticism of both government and church behaviour.

In many ways the report details what is already well recognised and mirrors many of the findings of the government policy document on the inner cities published in 1977. But its wide-ranging and careful scrutiny, on the lines of a royal commission, is important both for the fact that it represents a new determination by the Church of England to involve itself in the "real" world and for its party political independence - an independence which would have been greatly enhanced if the 17-member commission had been drawn from a wider and less predictably unanimous spectrum of the Christian community.

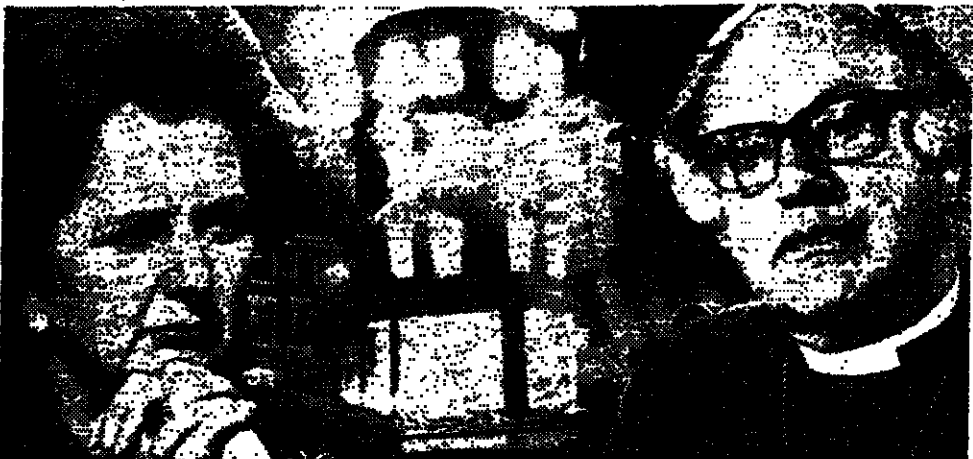
The team visited many inner city areas including all those which suffered riots in 1981-82 and earlier this year.

"It is not a simple story of economic decline and physical decay in the inner city. It is a more complex story of mismatch between people, skills, housing and jobs which planning failed to overcome and the economic recessions of the later 1970s exposed and exacerbated," they say.

The report echoes fears most recently attributed to the Prince of Wales when it warns of growing inequality leading towards two nations - inequalities in life chances, income, housing, education, public services and the general level of civil amenity.

"Moreover and more alarming, the migration of people and the movement of capital, employment opportunities, private enterprise, and voluntary effort is increasingly away from the urban districts," it says.

"The process is one of deprived people being left as the successful move out to middle Britain. The former have decreasing wealth, health, services, income, investment and amenity; the latter have



Mrs Thatcher (left) and Archbishop Runcie differ sharply on ways of halting inner city violence

rising affluence, opportunity, power and advantage: in one ugly word polarisation.

Before looking at various socio-economic aspects of the problem, the report looks at what is wrong within the church, traditionally a bastion of the middle classes.

The commission is in no doubt that the Church of England must put its own house in order, noting that the church has a clear Christian duty to respond to the situation facing the poor in the inner cities.

It can hardly be said that the church is yet making this a high priority. The church, like the nation, appears for the most part to be pursuing its concerns and managing its life as if these patches of acute need did not exist.

The theological debate then enters controversial territory, discussing whether the Church of England must confine itself to personal charity, service and evangelism or whether it can legitimately involve itself in social and political action - the sort of liberation theology which has caused considerable anxiety in the Vatican as it has been taken up by the Roman Catholic Church in some developing countries.

The report argues that church action should embrace both while admitting that thus far "we have little tradition of initiating conflict and coping with it creatively. We are not at home in the tough, secular milieu of social and political activism."

It is clear, from the Archbishop's endorsement of the report, that this is the path now to be trodden. A commitment to social action is combined with a key recommendation

that "the Church of England must continue to question the morality of economic policies in the light of their effects."

Local authorities in the inner urban areas have lost far more through reductions since 1979 in rate support grant (government subsidy) than they have gained in the urban programme and claims by government ministers, notably Mr Kenneth Baker, Environment Secretary, about large increases in cash for specific programmes to aid urban areas since 1979 conceal a quite different picture.

Urban aid increased substantially in real terms in 1982-83 and 1983-84 when Mr Michael Heseltine, then Environment Secretary, persuaded the Cabinet to make a serious effort after the urban riots. But urban aid fell by 7.5 per cent in real terms in 1984-85, fell again by 4.3 per cent in the current year and is planned to fall again in real terms in each of the next three years, unless a policy switch changes the plans in the public expenditure White Paper (policy document).

The commission reserves some of its most stinging comments for the effects of current economic policies. "We believe too much emphasis is being given to individualism and not enough to collective obligation."

"It is by their outcomes that macro-economic policies must be judged. We are united in the view that the costs of present policies, with the continuing growth of unemployment, are unacceptable in their effect on whole communities and generations. A degree of hardship may be needed to attain long-term objectives but it is unacceptable that the costs of transition should fall hardest on those least able to bear them."

It calls for the Government to give the inner cities a "vote of confidence."

"It must be for the Government first and foremost to demonstrate this confidence through a sustained programme of public investment on both current and capital account, as has happened in the docklands areas of the urban development corporations. In this way it will give greater confidence to the private sector to invest."

The report also calls for increased child benefit, higher income support for the unemployed and a review of the interaction of the tax and benefit system, restating the traditional arguments of both the so-called poverty lobby and a range of bodies from the Institute for Fiscal Studies to sections of the Conservative Party.

All these demands, coupled with the call for more public housing, are contrary to government policy which is to restrain public expenditure.

This brings the commission to a vexed subject - the church as property owner, landlord and investor through the Church Commissioners, a deeply conservative organisation about whose approach there is growing concern within the Church of England and without.

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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

IT LOOKS as if an historic turning point has been reached in one of the great industrial battles of our time.

The battle is between Caterpillar Tractor of the US, the dominant force in the huge world construction machinery industry for half a century, and Komatsu of Japan, which has come from nowhere in the past 20 years to pose a real challenge to Cat's supremacy.

For the past ten years, Komatsu, like many Japanese manufacturers, has advanced on its US rival with increasing speed and ease, while Cat has stumbled and floundered, seemingly unable to find effective ways of responding.

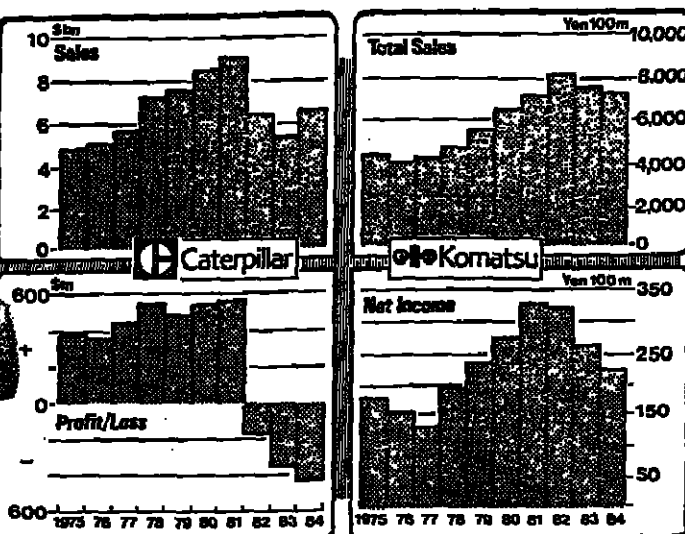
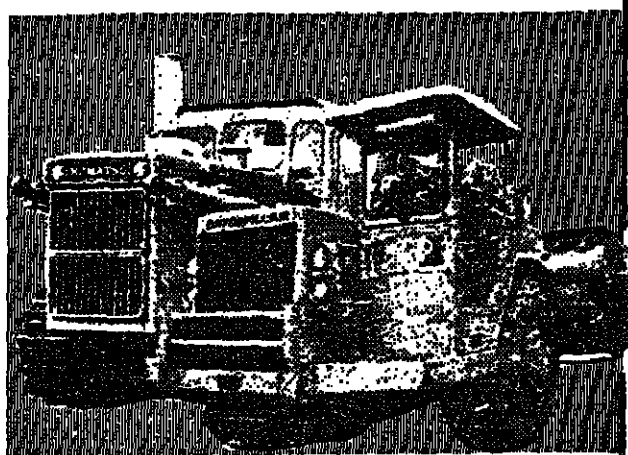
The gap in performance has been especially wide since 1981. Cat's revenues sank from \$9.2bn in 1981 to \$6.6bn last year, and the company piled up over \$1bn in losses. Meanwhile, Komatsu has maintained its sales volume at just over ¥700bn (\$3.4bn) and suffered only a one-third slide in its profits.

But change is in the air. After major management and production overhauls, Cat has returned to profit in recent months and is aggressively defending its position. "We are going to stay number one in this industry," says Don Fites, the group's new executive vice-president for marketing. "The only way we can lose is if we mismanage the business."

Perhaps more important, Komatsu is signalling that it is no longer very interested in the fight. Shoji Nogawa, the group's president, suggested last month that the construction equipment industry is now too weak to sustain a cut-throat battle between the two giants. If companies have excess energy, he says, they should put it into other businesses that have strong growth prospects, as Komatsu is doing, rather than into endless battles for market share.

"I am not all that interested in being number one or number two," Nogawa says. "What is important is to have enough of a share so that we can exist and co-operate in this market. If we take a combative attitude, it will be very difficult to survive, because total demand is not growing at 10 per cent a year as it was in the past."

This is a very different tune from that sung by Komatsu four years ago. At that time, Ryochi Kawai, then president and now chairman, was saying things like, "we eagerly want to catch up with Caterpillar by modelling ourselves on them." And the company did not discourage suggestions that its "maru-C" quality circle programme was in fact a strategy for encircling Cat.



## Komatsu calls for a ceasefire

Ian Rodger on the Japanese group's surprising keenness to co-operate with Caterpillar

Today, Nogawa flatly denies the existence of such a strategy. "We have no intention of taking on Caterpillar and fighting them like an enemy until one of us falls. What is important to both Caterpillar and Komatsu is our customers. It is not business-like to put them aside, just to fight each other. The kind of thinking that says, 'If we do not get them, they will get us,' is what Japan used in the Second World War, and look what that produced."

It has also become clear that Komatsu's remarkable stamina in the past four years, a period in which the entire construction equipment industry has been in a deep slump, was in no small measure due to the boycotts and embargoes on sales of US goods in Iran and the Soviet Union.

For Komatsu, this created an unexpected bonanza. According to estimates by stockbrokers Merrill Lynch, 30 per cent of Komatsu's ¥577.9bn of exports in 1983 went to those two countries. Now Cat is back in both areas. Earlier this month, for example, it won an \$80m contract for pipelayers and bulldozers in the Soviet Union. And Komatsu's performance has declined. Last year, its exports to Iran and the USSR were down by two-thirds and one-third respectively, according to Merrill Lynch.

Caterpillar also stands to gain from the fall in the value of the dollar. Until recently, more than three-quarters of its machinery was made in the US, and the company has been a vociferous critic of the strength of the yen and US policy.

Nogawa is scornful of Cat's complaints about exchange rates, recalling that the US company did not seem to have any problems competing in the 1960s, even though the rate then was 360 yen to the dollar. Similarly, he says Komatsu did not complain in 1978 when the rate was 173 yen to the dollar. "It goes beyond our understanding why they are making such a big thing out of this. Perhaps in the past, we were not very good in terms of our technology and marketing abilities, but we are not fools. We worked hard and brought our products up to date. I do not say we have caught up with Caterpillar yet, but we are in the stage of catching up."

Even before these latest changes both companies had been in the process of reassessing their strategies for the future. Both have recognised that the construction equipment industry is now mature and perhaps even in decline.

Cat has concluded that it should intensify its commitment to the construction equipment industry. Company officials believe they still have the lead in two crucial competitive factors: technology and distribution. They feel they need lower costs and they have closed several plants and eliminated more than 25,000 jobs in the past four years.

They also believe they need a wider product range not least to help out their hard-pressed dealers. In the past Cat's strength has lain in very large

earth-moving machines but the markets for them are depressed, while demand for smaller machines for housebuilding and smaller public works projects is stable. The company has just developed its own backhoe loader and, in a break with past policy, has commissioned other producers to make a number of machines for it, including excavators, paving machines, and logging equipment.

Komatsu, on the other hand, is pursuing an aggressive diversification policy. Non-construction equipment business accounts for 18 per cent of its sales today and Nogawa has set a target of over 25 per cent for 1990. He has even mentioned a 50 per cent figure as a longer term goal.

These targets are not as ambitious as they may seem. Komatsu has long had strong positions in two other manufacturing businesses—large sheet metal presses for the motor industry and specialised machine tools, such as crankshaft milling machines. Recently it has widened its machine tool lines, added robots and, based on its own wide experience of automating production, is aiming to be a major supplier in the factory automating business.

However, the company remains committed to construction equipment. "We will not give up one business to develop others," Nogawa says. Like Cat, it wants to widen its product range, but the company's real challenge for the next few years

will be to insulate itself from trade frictions. Even given the strong Japanese preference for concentrating production at home, it is nevertheless difficult to understand why Komatsu has been so slow to develop factories abroad, particularly in the US where it now sells over \$300m a year worth of equipment.

One of the reasons Cat still sets the industry standard in distribution is that, in an emergency, it can call on plants all over the world to supply parts. And it is surprising that Komatsu, which has imitated Cat in so many ways, failed to recognise the importance of this diversity of supply.

Early this year, when Komatsu finally did make a move, it was only to set up a small \$18m factory in Tennessee. Cat official scoffs that this is a smaller investment than many of its dealers have in their businesses.

In Western Europe, Komatsu has toyed with the ideas of joint ventures with various over traders, or setting up its own, for some time. "A year has passed since I thought I should make an immediate decision on this," Nogawa admits.

In fairness, it is not an easy decision to make. Nogawa knows that as soon as he opts to locate in one European country, there will be resentment and opposition in the others. Also, European markets are highly fragmented.

Nogawa says the two joint ventures about which there have been rumours—with Terex and Northern Engineering Industries, both in the UK—are "not active at the moment," but he remains open to collaboration deals. Whatever he does, he knows he has to move fairly quickly. "Because of tension over trade, many measures may be taken against us which would hurt our dealers."

So the stage is set for the two giants to implement their new strategies. While it is difficult to forecast the results, one thing both are agreed on is that they will remain strong while the smaller companies will get weaker.

Perhaps that is why Nogawa is so outspoken about the need for a less pugilistic environment. It will be hard enough, he seems to be saying, for those who have to close factories or abandon the business because of the chronic problem of overcapacity. And he calls on Cat to help solve the problem.

## Management abstracts

Life detectors fall the truth test. B. Kleinmuntz in Harvard Business Review (US), Jul/Aug 85 (34 pages). Explains how life detectors work and examines their record of success; and concludes that there is very little evidence to justify their use in business, and argues that when they are used they poison the corporate climate and spoil whatever mutual trust may have existed.

Doing business with the State. D. Burger in Abstraktwirtschaft (Fed. Rep. of Germany), May 85 (1 page, in German, English version available). Stresses that special considerations apply to doing business with government departments or agencies, particularly with regard to competitive tendering. Offers three checklists or aspects to consider (1) before a decision is taken to go for such business; (2) before starting work on tender documents; (3) before actually tendering.

Safety in construction. S. Dawson plus others in Journal of General Management (UK), Summer 1985 (174 pages). Considers why construction activities are four times more dangerous than those in manufacturing industry; points to contributory factors such as the place/nature of work, the organisation of activities, the use of subcontractors, and workforce attitudes. Suggests the major weaknesses in current approaches to health and safety revolve around creating an atmosphere which is safety conscious, adopting the codes of practice laid down, and monitoring/adapting standards; indicates that attitude rather than knowledge is the key obstacle to improvement, and that workforce/unions apathy on safety matters needs to be overcome for progress to be made.

Locating new customers profitably. S. Pearson in Direct Response (UK), July 1985 (2 pages). Argues that the creative use of a company's own marketing database is better than using commercial data to classify socio-economic neighbourhoods. Suggests it is simplistic to expect one classification system to target every conceivable market segment; far better to know your customer as an individual.

Lightsabre controls. J. O'Neill in Facilities (UK), July 1985 (3 pages). Makes the point that while people are good at turning on lights, they are not so good at

turning them off; examines—with the use of case examples—the cost-effectiveness of three forms of automatic control systems. Portsmouth City Council estimates to have achieved almost 40 per cent reduction in their annual costs, thanks to time switching; the City of Bradford Metropolitan Council achieved similar savings through daylight linking; and Avon Cosmetics registered savings of one-third by adopting localised lighting. Notes the payback periods. Health and Moving heavy loads. Health and Safety at Work (UK), July 1985 (11 pages). Theorises four fatal accidents involving the handling of heavy loads; demonstrates that, in every case, the jobs were not properly planned and that the method of work induced instability of which caused toppling. Stresses the need to assess all hazards beforehand and to plan the method by gauging the weight, plotting the route, using the right equipment, and proving experienced supervision.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Electronic copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

## BUSINESS PROBLEMS

BY OUR LEGAL STAFF

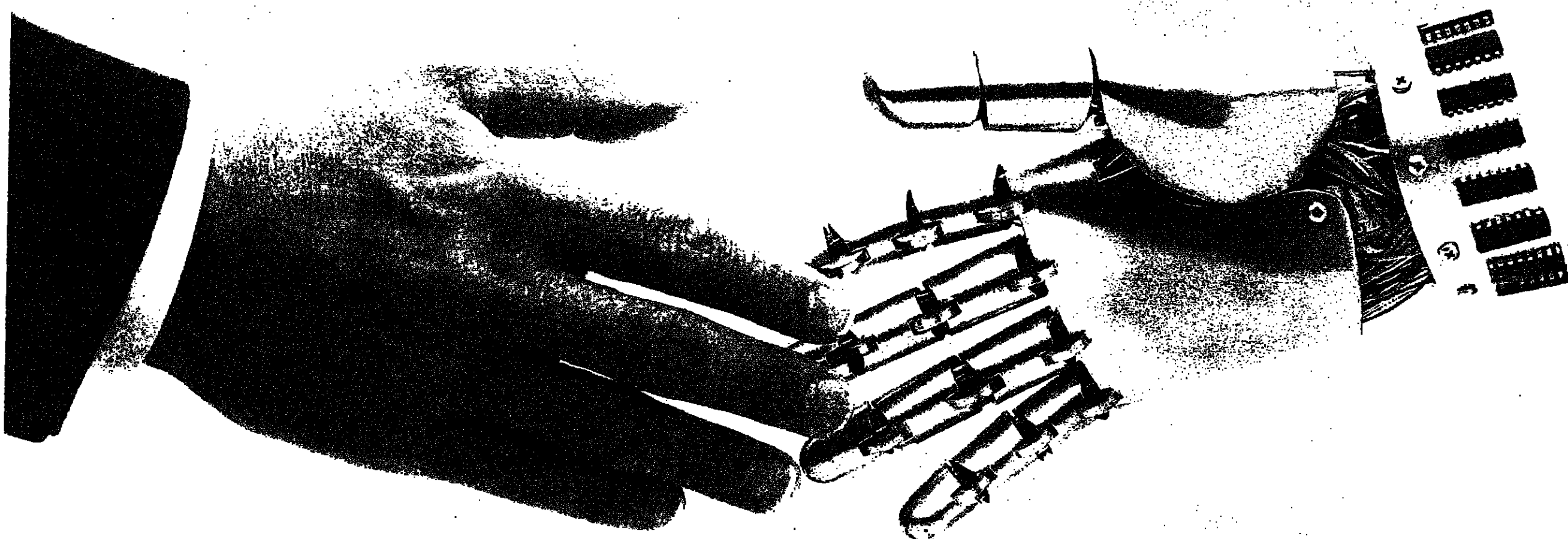
## Christmas parties

LAST year you ran an article on Christmas parties stating that the tax man would regard £25 per head as modest. Have you any news regarding this year's guideline?

The situation is outlined in an Inland Revenue press release of October 26 1984 (Christmas parties), which may still be obtainable from the Inland Revenue Press Office, Somerset House, Strand, London WC2R 1LB.

In part it says that tax offices will treat expenditure of some £30-£35 per head per annum as modest and if such spending is at the lower end employers will not need to return form P11D.

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## CHINA'S ECONOMIC REFORMS

## The doubts start to grow

By Colina MacDougall

CHINA'S reforming leader Deng Xiaoping and his supporters are still firmly in the saddle in Peking—despite a year of economic disasters. But they have been forced on to the defensive, their opponents have become more vocal, and their policies at least temporarily have sharply altered course.

Officials continue to say there is no change in the reform programme or the "open door" policy. Problems were expected as a result of such radical changes and time is needed to sort them out. But the setbacks have given the conservative Marxists in the party at least the momentary chance to attack the reforms and undermine the idea of "getting rich" which has been so important a factor in raising China's productivity in recent years.

There is no shortage of examples of the current problems. No spectacular cancellation of contracts in foreign trade has been announced but there is a marked go-slow on imports which some businessmen expect to last well into next year. The urban economic reform—relaxing central control—announced in October 1984 has been trimmed. Plans to open up 10 cities last year to foreign investment have been modified, and the future of Shenzhen, leader among the four Special Economic Zones, is currently under close scrutiny.

For the second time in five years, Peking's reformers have by relaxed central planning unwittingly provoked a disastrous fall in foreign exchange reserves and excessive industrial growth. In 1981 similar problems forced postponement or cancellation of hundreds of millions of dollars of foreign contracts.

Psychologically, the crisis is worse this time since Deng Xiaoping's reforms have generated corruption and fraud as well as serious foreign trade problems, inflation, shortages, a fall in the value of the yuan and a huge subsidy burden. On the trade side, the effects of the crisis have been considerable. Some contracts under discussion have been delayed. Zheng Tuobin, Minister of Foreign Economic Relations and Trade, said last month. "One reason was the growing scale of imports, another congestion in the harbours. Sometimes up to 500 ships have had to wait to unload."

In its latest report the Sino-British Trade Council says "companies and Chinese corporations alike report that very



Deng Xiaoping: forced onto the defensive

little new business is being done at present. Some corporations have sent their negotiators on study leave, leaving foreign businessmen with literally no one to talk to."

Businessmen have at times faced delays in China's opening of letters of credit or breaks in trade discussions, while negotiators apparently sought the necessary clearances from Peking. Others have encountered prolonged negotiations over non-essential equipment, such as cigarette-making machinery.

Joint venture policy has been affected to the extent that China is now concentrating mainly on import substitution technologies or partners who can help produce goods for export. "This could include minerals" or metals processing, leather dyeing or manufacture of machine tools," said Jing Shuping, vice chairman of Peking's China International Economic Consultants.

All this has been the consequence of a fall in foreign exchange reserves from over \$16bn in September 1984 to \$10.8bn in June this year. Nine-month trade figures from the Ministry of Foreign Economic Relations and Trade, moreover, showed a deficit on China's side of \$3.4bn.

Exports have fallen, partly because of difficult overseas markets but also, Chinese officials say, because producers could get better prices under the new liberalised sales system than by selling abroad. Consequently (and partly, though to a lesser degree, to slow imports) China allowed the

dollar to fall from yuan 2.7 in value of the yuan against the November last year to yuan 3.3 a year later. "With rising prices within China, we had to do it," said Liu Hongru, vice president of the People's Bank.

Last month Chen Muhua, president of the bank, claimed that the foreign exchange drain was over. Imports had been cut, exports increased and official perks like trips abroad reduced. But the price is a return to many of the old controls and delay on modernisation.

In curbing industry—industrial output grew at 23 per cent in the first half year and is unlikely to be below 18 per cent for the whole 12 months—the leadership has had to revert to precisely the kind of administrative fiat that it was trying to abolish through its economic reform.

Enlarging factories, boosting output, borrowing money, raising wages, buying foreign equipment—all powers delegated at least in part to managers under the October 1984 reforms—have now apparently been forbidden except under strict bureaucratic supervision.

"We have to get permission to build new plant or import new equipment, and that's a great handicap," said Zhu Zhihan, Deputy Director of the Administrative Office of the Nanking Radio Factory.

Deng's troubles stem from the measures towards liberalising the urban industrial system in 1984. In October of that year the Central Committee issued a

cautious directive increasing industrial and commercial enterprise authority, releasing some enterprises from central ministry control and allowing some prices to float. Simultaneous financial reforms enabled factories to keep a share of any foreign exchange they earned and to borrow freely from the banks.

These changes were introduced just as the peasants were beginning to flex their new freedom to start up rural industry. The outcome was a huge burst of building, production, borrowing and expenditure, especially of foreign exchange.

Officially inflation was put at 11 per cent in the cities in the January-August period, but many foreigners believe it was much higher. Song Pingming admits that in Peking and Canton prices in July were respectively 22 and 23 per cent up on the same month in 1984.

Serious trouble was avoided because Peking pays subsidies to town dwellers to buffer the increases. But along with subsidies already given to farmers, these fuelled the problem by swelling money in circulation.

The political fallout from these developments has been considerable. At the special party conference in September, conservative Marxist party leader Chen Yun and head of state Li Xiannian spoke bilingually of the problems the reforms had

caused. In his speech to the party's disciplinary body, Chen particularly condemned the crime and decadent bourgeois ideology they encouraged. In contrast Deng, who conceded that there were many problems, reserved his fiercest words for past "leftist errors" and defended the improvements generated by his policies.

The reform policy has a great deal of support in China, especially among the 800m peasants, most of whom have benefited enormously. But the loosening of control which is its basis has cut into party power; the spontaneous corruption which sprang up overnight has earned it enemies; and inflation and other problems have created doubts.

The question remains whether China can be modernised in the way Deng plans. There is no tradition of western-style management which could begin to make it work. The events of the year may have persuaded a significant number to revert to a preference for central control.

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327	1320	2548	3698	4692	5718	6656	7733	8716	9426	10358	11197	12369	12958	14219	15271	15754	16651	17680	18776
375	1372	2554	3794	4762	5719	6760	7734	8841	9518	10324	11306	12282	12977	14312	15289	15798	16681	17895	18868
382	1408	2566	3866	4882	5780	6858	7757	8907	9523	10326	11331	12283	13167	14370	15318	15864	16730	17920	18874
401	1571	2617	3891	4909	5782	7028	7838	8968	9552	10355	11377	12307	13188	14390	15327	15910	16732	17948	18932
454	1578	2741	3894	4958	5851	7094	7913	8981	9592	10404	11477	12328	13205	14398	15347	15912	16743	17959	18985
493	1587	2761	3897	4992	6010	7115	7935	9000	9651	10449	11525	12348	13305	14451	15363	15943	16836	17986	19100
558	1626	2796	3920	5007	6043	7216	7987	9047	9653	10462	11589	12382	13429	14461	15414	16046	16870	18021	19119
752	1677	2838	3976	5118	6077	7253	8002	9104	9666	10496	11682	12479	13470	14546	15423	16110	17078	18026	19185
811	1766	2907	4028	5148	6169	7306	8082	9137	9698	10508	11718	12484	13714	14656	15439	16153	17161	18034	19354
820	1849	2913	4031	5240	6283	7307	8086	9237	9790	10578	11818	12575	13718	14694	15486	16209	17275	18061	19360
881	1870	2935	4071	5258	6365	7384	8101	9253	9820	10603	11834	12590	13878	14733	15511	16210	17307	18070	19514
902	1950	2979	4121	5273	6412	7384	8205	9257	9952	10616	11844	12642	13881	14767	15518	16283	17458	18071	19574
963	2161	3026	4139	5379	6416	7397	8223	9308	9966	10640	11873	12705	13895	14819	15526	16305	17467	18118	19650
991	2197	3052	4218	5438	6432	7399	8226	9320	10002	10698	11882	12719	13929	14940	15539	16315	17522	18121	19775
1042	2254	3074	4289	5472	6472	7415	8305	9327	10022	10885	11891	12761	13945	14969	15620	16356	17535	18238	19796
1116	2277	3115	4326	5494	6476	7463	8473	9329	10088	10949	11930	12768	13971	15062	15649	16397	17601	18524	19933
1218	2367	3132	4414	5632	6493	7560	8544	9352	10097	10981	12046	12824	14071	15068	15652	16402	17634	18612	19957
1298	2374	3219	4442	5658	6498	7583	8590	9387	10144	11029	12111	12841	14129	15150	15673	16410	17667	18645	19980

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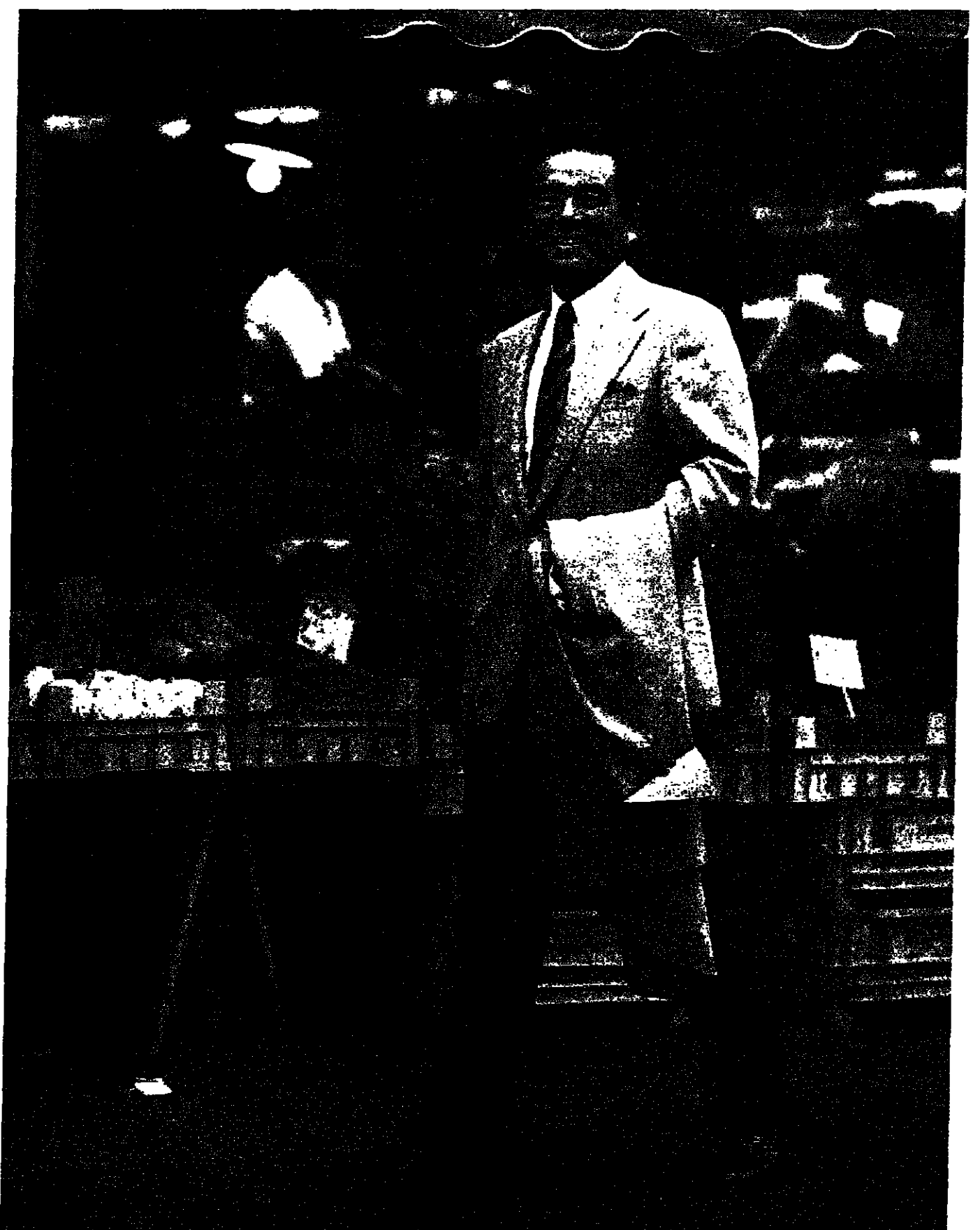
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## TECHNOLOGY

## Guy de Jonquieres reports on the problems of competing with IBM

HOW TO compete with IBM is as formidable a problem in the computer industry today as it was 20 years ago. Silicon Valley "start-up" companies may have proliferated but none has blossomed into a really durable challenger to Big Blue and many have faded after a brief blaze of glory.

Why this should be so is a central question in a study by Mr. Eric Wilson, a strategic planner at AT & T-Philips Telecommunications, published by the Geneva-based International Management Institute.

He observes that innovative technology alone is no longer enough to ensure competitive success. What is really driving the industry forward is the emergence of new and increasingly specialised, market segments resulting from the head-on collision between computing, communications and other industrial sectors.

Young "start-up" companies are usually first to spot and exploit these opportunities, established companies, including IBM, move in later. But only IBM and the pioneering start-ups seem to emerge successfully, while other competitors often record disappointing results.

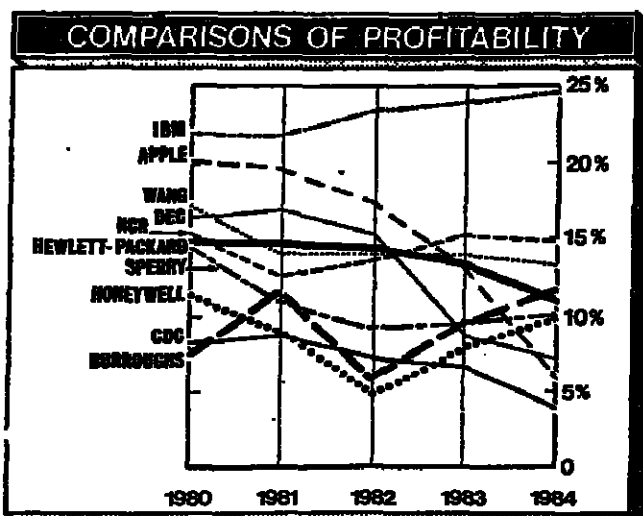
In search of explanations, Mr.

Losers are the 'stuck in the middle' groups which try to compete across a broad range of products

Wilson leans heavily on research by academics Michael Porter and Ichak Adizes into the competitive behaviour of companies and the life cycle problems of organisations.

The study finds that the winning companies are those which focus intensely on a selected market niche and skilfully differentiate their products from those of competitors—usually by means of the customer service they offer rather than through technology or low price.

The losers are the 'stock in



## Innovation is not enough for success

the middle' companies, which try to compete across a broad range of products. Though they often spend vastly more than start-ups on research and development, they achieve lower sales per employee, lower profitability and declining market share.

Mr Wilson includes in this group most of the "Bunch of Companies"—Burroughs, Sperry, NCR, CDC and Honeywell—as well as more recent pioneers such as DEC and Hewlett-Packard. All are slowed by sheer corporate size, administrative bloat and the problem of ensuring compatibility between new and existing products.

Contemporary management theory would suggest that the most effective solution is for

them to diversify by decentralising into smaller and more entrepreneurial business units. That is precisely the remedy applied by IBM with huge success in the past few years. However, Mr Wilson argues that most other companies risk getting trapped by a "Catch-22". If smaller rivals attempt to diversify in an industry dominated by IBM, he says, they dilute the "focus" which gave them their key competitive advantage in the first place.

"If DEC diversifies, it is likely to become another Burroughs, Honeywell or Sperry. But if DEC does not diversify, it will inevitably decline as its cash flow in minicomputers shifts from maturity into old age."

The only real hope of avoiding this trap, he suggests, is for "stuck in the middle" companies to concentrate on pioneering new growth markets before IBM moves in. However, in view of established companies' internal bureaucracy, this is easier said than done.

Mr Wilson is forced to admit that he can discover no "miracle solution" to competing with IBM. Ultimately, he suggests, the best hope for loosening IBM's iron grip may be rapid changes in product markets and increased competition from AT & T and Japanese companies.

His study is incomplete in other ways, too. It does not explain satisfactorily how IBM has succeeded in fighting off middle-age flab and barely discusses the commercial implications of the push by non-IBM companies for "open" data communications standards.

It is unfortunate, too, that DEC is paraded as a typical "stuck-in-the-middle" company just as it seems to be staging a resurgence, while Data General, held up as an example of the right approach, is in a downturn.

Nonetheless, the study does at least define more precisely the question of what makes

The best hope for loosening IBM's grip may be rapid changes in product markets and increased competition

"start-up" companies succeed and why they so often lose their initial momentum.

These are issues which would warrant further attention from European policymakers, who all too often seem to view technological competitiveness as a matter of pumping government subsidies into large electrical and electronics manufacturers. Strategies for Success in the Computer Industry, by Eric J. Wilson, Technology Management Unit, International Management Institute, Geneva.

## Programme to support remote sensing research

Peter Marsh looks at a \$17.5m project to reap the best results from space technology

US GOVERNMENT agencies, universities and companies are planning a \$17.5m programme over five years to support the commercialisation of remote-sensing projects in space.

In remote sensing, satellites carrying cameras and such other sensors as radar devices obtain pictures of the Earth from orbits several hundred miles high. The pictures can help agriculture experts monitor crop growth or analyse ground conditions for signs of mineral deposits.

The new programme will be run by the National Center for the Commercial Development of Space Remote Sensing in Bay St Louis, Mississippi. In charge of the centre, which will be closely associated with the National Space Technology Laboratory of the US National Aeronautics and Space Administration—also in Mississippi—will be the Institute for Technology Development, a private, non-profit corporation.

The research project will fund work in such areas as developing new applications for remote sensing and new software to analyse information from spacecraft. The centre's work will also support training of scientists and administrators so they can gain the maximum advantage from pictures from space.

According to the centre, information from remote sensing satellites could help a variety of industries, either in planning resources or in the monitoring of events taking place on the ground.

These industries include companies involved in livestock, fertiliser, warehousing, transport, fish production and agricultural chemicals. A 1 per cent increase in these industries' productivity achieved through better use of remote sensing would bring \$250m over five years to take over the existing Landsat-5 satellite and to build two more vehicles that should enter orbit around 1988.

The 1981 Eosat will also get the rest is coming from industry and the state of Mississippi. Annual spending is

due to climb to \$5.1m by 1990. Mississippi is also providing a \$4m building to house the centre.

Among companies either providing cash to the centre or which have agreed to co-operate on research programmes are computer hardware and software companies such as Cray Research, EKDAS, Intergraph and Synercom. Others include

concerns which use information from space or sell it to other organisations, for instance the DESITEK Group, Ducks Unlimited, Hutton Chemical and Mead Corporation.

Academic institutions which will take part in the research programme include Jackson State University, Pennsylvania State University, Oklahoma State University and the universities of California, Missouri, Mississippi and Delaware. The US Navy and the US Army Corps of Engineers have also agreed to co-operate.

Staff at the centre will liaise closely with Eosat, a joint venture between RCA and Hughes Aircraft, which will supply data from the Landsat series of remote sensing satellites. Eosat took charge of the Landsat programme in September from the National Oceanic and Atmospheric Administration, a government agency. The Landsat project has run since 1972 and has involved the launch of five satellites.

Under a deal reached earlier this year, the Commerce Department is paying Eosat \$250m over five years to take over the existing Landsat-5 satellite and to build two more vehicles that should enter orbit around 1988.

The 1981 Eosat will also get the rest is coming from industry and the state of Mississippi. Annual spending is

be responsible for data marketing.

One result of the legislation that transferred ownership of the Landsat system from the Government to a private corporation is a change in the way NASA makes available to users scientific data from other remote sensing hardware; for instance, cameras and sensors carried aboard the administration's fleet of space shuttles.

Under the 1984 Land Remote Sensing Commercialisation Act, NASA cannot release the data itself but has to sell it to a commercial organisation which, in turn, sells the information. The space administration has recently agreed a deal with Martel Laboratories of St Petersburg, Florida, under which the latter will sell data from the large format camera experiment carried on a shuttle mission.

Nasa says, however, the new policy can cause problems by delaying data to scientific bodies. Under the new arrangement, they cannot obtain the pictures from space immediately, but have to wait for the data to be processed.

In the case of the large format camera data, Nasa spent months talking to 26 concerns which indicated an interest in the information. Finally, the administration received just one firm proposal—from Martel—as a result of which the St Petersburg company obtained the data for a mere \$100.

Testifying recently before the Senate subcommittee on commerce, science and space, Dr Shelby Tilford, Nasa's director of Earth sciences and applications, complained that the new procedure could "hamper the federal government in providing access to experimental data to the non-government funded research and development and user communities in a timely fashion."

He said that often the data had little economic value but that its scientific use would diminish the greater the delays preventing researchers gaining access to the information.

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## Fast quench processes under test

RESEARCHERS at the Battelle Institute in Columbus, Ohio, are starting work on techniques that could provide insight into making new kinds of materials in space.

The workers are to study "rapid quenching," the process where materials heated to a high temperature are exposed suddenly to cool conditions. Such treatment can provide useful properties such as high strength or good corrosion resistance.

Under a \$250,000 contract with the National Aeronautics and Space Administration, Battelle is to simulate the low gravity of space by dropping canisters containing experimental mixtures from the top of a tall tower.

Under the low gravity, liquids can be supported inside the container in the form of droplets which do not touch the walls. In this way, contamination is reduced.

Battelle's workers want to find out if under low gravity and containerless processing, rapid quenching produces materials with better properties than can be obtained under normal conditions in Earth factories.

## UK puts lid on Soviet grease

A COMPANY in Liverpool is adding a Soviet effort to turn out industrial grease in sub-zero temperatures. Derwent Electrical has produced two machines bound for the Soviet Union that automatically put lids on grease containers.

The machines, worth £22,000, are to be installed at the end of a production line in the grease factory. The lids are put on using hydraulic arms. Derwent says the machines have to be highly reliable as they must work with little maintenance at very low temperatures.

The machines are being supplied to the Soviet Union through a "Soviet company" which does not want its name revealed.

## Threat to telex

ELECTRONIC MAIL already looks set to kill off telex in the US according to a new report from Frost & Sullivan, the New York-based marketing consultancy.

The growth in end users alone switching from other services such as telex and teletypewriting together with the growing ranks of personal computer operators will give a 1990 market worth \$508m, says the report.

The 276-page report costs \$1,775 from Frost & Sullivan; 01-935 3190 in the UK; 212-233 1890 in the US.

New Issue  
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New Issue  
December 4, 1985

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# Cable and Wireless, a cross-section of our growth, past, present and future.

May we ask you two questions?

One. Which do you think is the most useful invention of the past hundred years or so?

Two. Which do you think will grow fastest in the next fifty?

You're bound to consider the internal combustion engine, the aeroplane, atomic energy and the microchip, of course.

But how about telecommunications?

You have to admit there's a case to be made for them, and it's timely to make it now.

It'll take a short history lesson but we promise to make it as painless as possible.

## 1866, the Entrepreneur

The founder of Cable and Wireless was a vigorous and determined entrepreneur called John Pender.

In 1866 he was largely responsible for laying the first transatlantic, submarine cable.

With the dots and dashes of the Morse Code, it meant the United Kingdom was only minutes away from the eastern seaboard of the United States (Stock Exchange and Wall Street closing prices were transmitted daily).

By the end of the century he had created a submarine cable empire that virtually covered the world and stretched for 50,000 miles.

Unending success beckoned? Not exactly.

## 1920's, the Italian

A young Italian scientist called Marconi had earlier patented his radio device and now offered a transatlantic telegraph service (the one which brought Crippen to trial). It was three times faster than cable at about one twentieth of the cost.

Marconi made the British government an offer they couldn't refuse: that his telegraph service and our cable assets be merged.

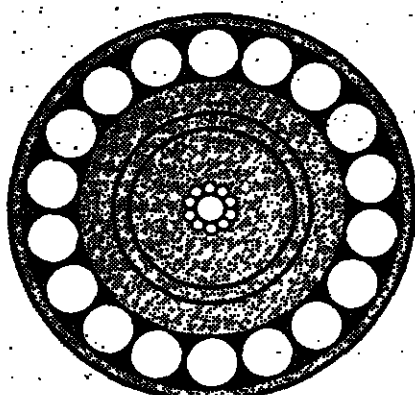
It was a happy marriage which, helped by new technology, prospered even during the depressed thirties.

## 1950's, the voice

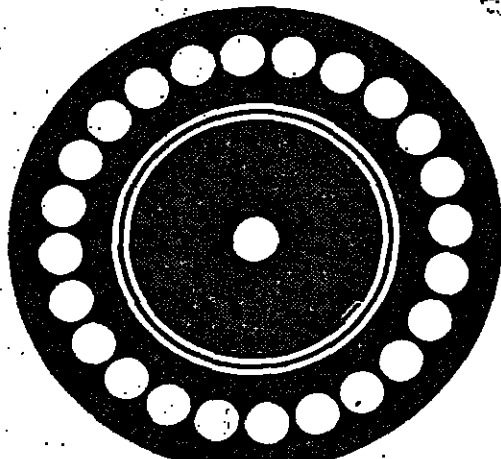
Then in the mid 1950's the first coaxial cable was laid across the Atlantic, carrying distant voices. (Although you still had to queue-up to make a call.)

But the pace of innovation was quickening.

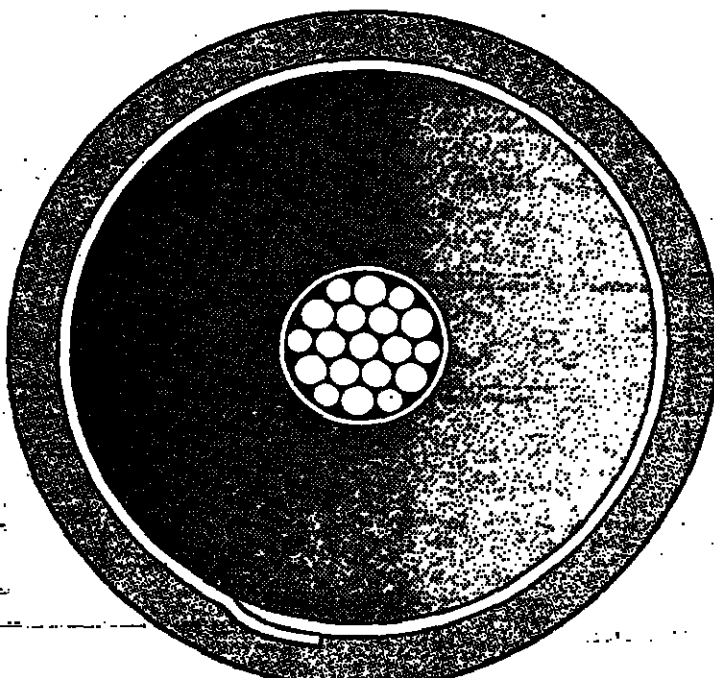
Rockets placed satellites in space, to and from which we bounce messages on 44,000 mile journeys between our earth stations round the world.



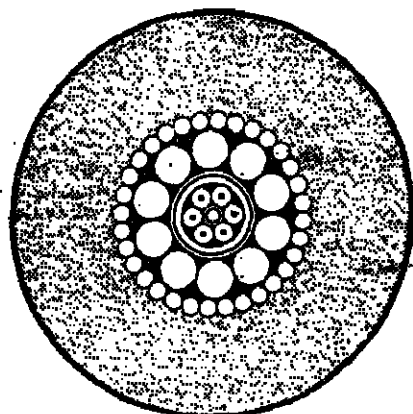
1866. First successful transatlantic cable. Roughly six months to transmit the Bible by Morse Code.



1956. First coaxial cable across the Atlantic. Thirty-six circuits bring phone calls as we know them today.



1974. Over 1,800 circuits—queuing eliminated.



1989. Cable and Wireless' fibre-optic cable to America. 12,000 circuits able to transmit the Encyclopaedia Britannica in a few zips of light.

Next came larger coaxials, then the miraculous fibre-optic cable carrying voice and data at the speed of light (the entire Encyclopaedia Britannica in a flash).

Now, computers and microwaves all play their part, but our real growth has accelerated in the past 4 years.

## 1981, the new freedom

In 1981 the government privatised us in its belief that companies flourish when managers are free to act in an entrepreneurial spirit (shades of John Pender).

We are proud to say we have repaid its trust.

At the time of going to press, our annual pre-tax profits have grown fourfold.

## Mid-1980's, the explosion

There's nothing new in people's urge to communicate, of course.

But as international business has grown, this urge has now assumed unprecedented proportions.

Just about every country in the world is expanding and updating its telecommunications. And new technology is constantly needed to make systems faster, cheaper and more effective over greater distances.

Currently in fact, we're improving and maintaining systems in some thirty-six countries.

In Hong Kong we operate both its internal and external telecommunications systems.

Earlier this year, we agreed with China to study together the feasibility of establishing up-to-date telecommunications between the main cities of the Yangtze Delta.

Meanwhile, in America we've laid fibre-optic cable along the rail-road from Dallas to Houston and we are operating circuits from New York to Washington and soon, Chicago.

In Barbados we are co-operating with the government to bring the latest digital communications to the island and help its main industry, tourism.

In Bahrain, we have a 40% stake in one of the most advanced telecommunications services in the Middle East and we manage the entire system.

While last year, our ships laid a submarine cable linking Australia and New Zealand with Canada via Fiji and Hawaii—eight thousand miles in all.

We hope we have shown how Cable and Wireless has grown bigger as the world, in communication terms, has grown smaller.

 Cable and Wireless.



## THE ARTS

Television/Christopher Dunkley

## Who dares switch over wins the weekend show

Received wisdom often seems to be behind the times. A lot of people have recently been asking "Why is weekend television so awful?" Yet anybody keeping a close eye on the box should have noticed that matters have actually improved considerably. True, there is still a large amount of sport on Saturday, but with *Grandstand*, as ever, monopolising BBC 1, hours of racing on Channel 4, and on ITV wrestling plus some other sport (this week boxing, last week cross-country running).

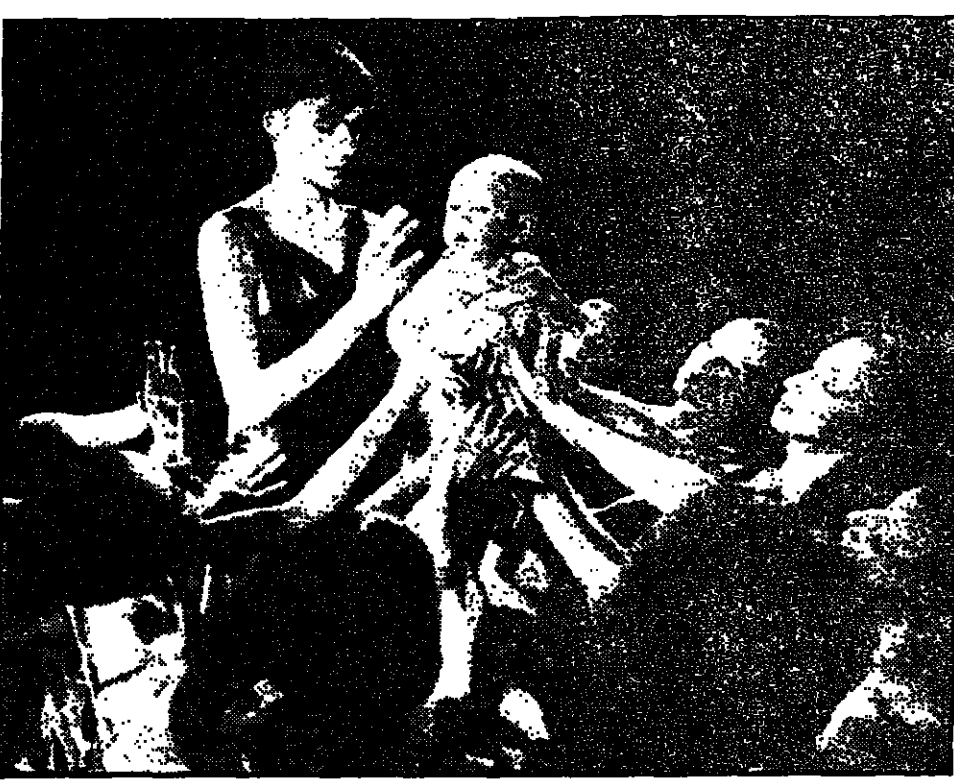
However ITV has finally done away with its five hours of *World of Sport* which for so many years has been a headache for *Grandstand* and *Ant*. There is still a lot of sport around that is to some extent inevitable and outside the broadcasters' control. Saturday afternoon happens to be the time when most sports fixtures occur. But while this concentration of sport certainly irritates some viewers, mostly women, judging from the phone-in programme about television which I used to do on LBC—I suspect that most of the scorn implied in the question "Why is weekend television so awful?" stems from *Acacia Avenue Syndrome*: the tendency to blame television for one's own weak will-power. When you ask people precisely which weekend programmes seem so poor, most point to the game shows and the situation comedies, especially the repeats. Many also complain about the variety shows which television seems to specialise in at weekends. There was a monster example on Sunday when ITV devoted 2½ hours to *The Royal Variety Performance*. This featured one excellent performance from Gary Wilmot, a few passable excerpts from current West End musicals, and a long, tedious procession of modern performers whose lack of talent was highlighted by the requirement that they impersonate the true greats of a previous generation: Martin Donovon, James Cagney, Rita Hayworth, Gracie Fields and so on. It was, indeed, pretty awful. Moreover, there is no denying the concentration of game shows at weekends, especially

around Saturday tea-time. *Candid Camera*, one of the oldest and most embarrassing ideas on television, staggers on in the guise of *Game for a Laugh* on ITV, and similar tricks are sometimes built into *The Noel Edmonds Late Late Breakfast Show* which goes out simultaneously on BBC 1 and now attracts a bigger audience: 14.4m in the current ratings, making it No 8 in the National Top 10. *Bob's Full House* which follows immediately afterwards is managing to maintain BBC 1's audience at 13.75m with its bingo-based game.

Last week-end ITV started yet another type of game show called *Blind Date*, based on a long-running American series. A man or woman chooses a partner from three candidates of the opposite sex who sit behind a screen and answer questions. The banter being mediated by Cilla Black who is evolving into the female *Wilfred Pickles* of the 1980s. When she described one participant as a "her dresser" it took some of us a while to work out that her job was hairdressing.

It is also true that we seem to be getting a lot of week-end sitcom repeats from the BBC at present: *Only Fools and Horses*, *Porridge*, and *Lost of the Summer*. *Wine on BBC 1* and *Faithful Towers on BBC 2*. A NOP survey organised recently by the Peacock Committee which asked "In what way have BBC 1/ITV programmes got worse?" showed that most of the complaints were about "Too many repeats at the top of the list with 'Too much violence' coming second but nominated by only 16 per cent. (So much for the national outcry about television violence perceived by Mary Whitehouse and Norman Tebbit)."

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Siobhán Davis and her baby in "A Mass for Man," a ballet commissioned for television.

many repeats and the 14m watching these repeats, which brings us back to *Acacia Avenue Syndrome* and unconscious hypocrisy. Nobody is forced to watch game shows or sitcoms at the weekend. Many end up doing so, I suspect, because their children want to watch the game shows and they are too weak-willed to argue. In all these instances—and experience suggests they apply in thousands and probably millions of homes where books are read and serious music played—it is not an active determination to watch which counts but sheer inertia or the desire for a quiet life. In such circumstances with

other choices on other channels it seems unfair to blame television for the awfulness of its output. But what else is there to watch? An enormous amount, starting early on Saturday evening with *Saturday Review*. This is an arts review programme, presented by Russell Davies and edited by John Archer who launched and edited *Did You See?*, and it benefits from the same sort of eclectic approach, lightness of touch, and canny casting of studio guests (though the man in the bow-tie last weekend waved his hands about too much) which made the television review series such a success. Unfortunately *Did You See?* seems to have lost its edge since Archer left.

Last weekend *Saturday Review* was followed on BBC 2 by

*A Mass for Man*, that most unusual phenomenon, an original dance work created (so it said) for television. Admittedly the music was monotonous and the production style, with cutaways to pictures of human suffering and disasters, was pretentious. Small-scale and very, very "awful" in the sense that 3-2-1 is awful. Had you grown bored long before the end you could have done as I did and switched to Channel 4 which was showing a repeat of an excellent episode of *Upstairs Downstairs* with a script by Rosemary Anne Sisson that would put plenty of single plays in the shade. When material is as good as this, and one's viewing is split between four channels, repeats are not merely desirable but vital.

Later, the same night came *Who Dares Wins*, a comedy

series which is finally hitting its stride. Now that it is sticking to its own style rather than borrowing frantically from everyone else. Those of us who enjoy its irreverence (Is it true the Pope's infallible? Yeah, he's a bugger at Trivial Pursuit) should, I suppose, keep quiet about it in case the busy-bodies track it down to its late-night hiding place on Channel 4 in the hope of being offended.

On Sunday, the day of *The South Bank Show*, there is even more to choose from. At tea-time BBC1 is currently presenting *Oliver Twist*, one of those finely muted Victorian polished boxwood productions of Dickens which seems to have been turning out all my life. This week's episode contained splendid performances from Godfrey James and Miriam Margolyes as Mr and Mrs Bunbury.

*The Natural World* on BBC 2 was unfortunately saddled with an actor to read the commentary, invariably an error as Olivier proved so unfortunately with *The World at War*. Furthermore, the activities of piramians and caribou mostly seem as awfully boring, but this week's second and final programme did contain one astonishing sequence showing the hit and miss (or hit and bounce) methods by which the chicks of the Arctic rose desert from the mountains to reach the water.

*The Writing on the Wall* on Channel 4 continues to fascinate with its view of recent history. Last Sunday the rise of the National Front, the Anti-Nazi League, *Conrads* on BBC 2 supplies the second image of Russian society which, combined with the first image provided by news, current affairs and dissident literature, forms something much more like a three-dimensional picture. And *Star Quality* on BBC 1 is suggesting that far from being an evanescent figure, Noel Coward may yet prove one of the most long-lasting representatives of his era. This series offers precisely the values of entertainment and sheer enjoyment which we are so often told week-end television lacks.

It is time the image caught up with reality.

## Orfeo/Banqueting House, SW1

Max Loppert

London has this year enjoyed concert performances of two of the early Italian operas—those 17th century explorations of drama per musica that between them achieved the definition of the medium. Last March Camden Festival put on Caccini's *Le donne* of 1600 in the luxurious setting of the Nether Room at the British Museum; that fine, intelligently achieved introduction was on Monday night put in its proper perspective by the Monteverdi Orfeo, that the Baroque soloist under John Eliot Gardiner, gave us in the echoes of the Banqueting House.

It had been exciting to make the discovery that the Caccini work was far more than the textbook item of conventional wisdom. But it was then extraordinarily thrilling to come back to the First Great Opera, and find that it remains indeed exactly that. Experience of Caccini highlighted just how and where Monteverdi seizes the moment, the form, and the dramatic situation—how and where he sums up what went before him while at the same time opening long vistas into the future. On Monday, the great paragraphs of Orpheus' pleading with Charon at the centre of the opera built up with the timeless directness that affects the listener each time as "contemporary"—and that defines the innovative genius.

Gardiner, conducting the edition that he first made for the EMO in 1981, showed here that his mastery of this work is now consummate. (With these forces he is shortly to record it.)

The performance was paced, sounded, and directed with a working theatrical sense of how its every component part operates, and what all those parts add up to. But the Monteverdi Choir had not, perhaps, found itself the ideal location for this concert performance. The acoustics have a blur on the words, and the long blocks of seats keep too many people far from the singers. In the absence of close contact with words, eloquently shaped phrases, and passionate personalities, there were stretches in which one found oneself appreciating the virtues of the performance in a rather detached way.

This problem of distance and distanced impact was compounded by the fact that in the cast there seemed to me too few singers capable of making the most of the Italian. For all this florid virtuosity and familiar appealing poetic personality, Anthony Rolfe Johnson (not a guest, in his health) in the title role was too often a vocalist and too seldom a recitative cantando.

He was, of course, a very good vocalist, and so were Lynne Dawson (Music), Diana Montague (Proserpina), John Tomlinson (Charon), and Willard White (Pluto), unfortunately there were also one or two peaky Early Music voices on show. But only Mark Tucker, as shepherd and echo, was a shepherd in knowing how to combine verbal accent and dramatic impulse. Now one wishes the Authentic Movement would now and then use a few front-rank Italian singers.

## Jazz at the Bull's Head, Barnes

Kevin Henriques

For a quarter of a century the Bull's Head, down by the riverbank at Barnes, has featured in the lives of jazz enthusiasts in the London area. Even "foreigners" from north of the Thames have either pilgrimage to it on a No 9 bus or driven across Hammersmith Bridge (but rarely used the two nearby tube stations) to attend sessions featuring not only the best British musicians but also many distinguished Americans.

Jazz came to the Bull's Head when the evening hours told the then licensee, Albert Tolley, that something drastic had to be done to save it from becoming a morgue. In his wisdom (or maybe it was luck) he chose jazz as the likely lifeline and within a few years the Bull was presenting jazz of the modern and mainstream variety every night of the week, plus Saturday and Sunday lunchtimes.

Since Albert Tolley retired some five years ago the reputation of the Bull's Head has been enhanced and consolidated by the present licensee, Dan Fleming, whose obvious and vibrant enthusiasm for jazz has inspired him into presenting leading American musicians for extended periods rather than for a single evening. He has also bravely gone out on a limb with relatively unknown Americans who have amply repaid his judgement by steadily building up reputations during several weeks at the pub.

Now the Bull's Head is celebrating 25 years of live music with three weeks of the very best in British jazz—no star American visitors in this period—encouraged by substantial sponsorship from Young's Brewery plus support from the Musician's Union and Greater London Arts.

The festivities took off on a

musically high note last Saturday lunchtime with the added attraction of that rare benediction on notoriously dry London bluffs, an all-day drizzle. After the hard-pounding, nononsense quartet of drummer Tommy Chase which had immediately kicked everything into top gear, Elaine Delaney, a disarming, sophisticated singer, was an ideal contrast. Her stylish, jazz-tinged interpretations of popular songs with tenor sax (Johnnie) and piano (Liam) supplying obbligatos and where relevant, eloquent solos, were, as always, performed with genuine enjoyment allied with impeccable professionalism.

Lennon of another famous, slightly older London jazz spot, Ronnie Scott, leading his regular quintet, again reminded listeners of the imposing breadth of his (tenor-sax) playing, especially his warm, pliant ballads. Dick Pearce on flugel-horn has developed an all-round fluency on the instrument which puts him among its leading exponents anywhere and bassist Ron Matthews, in his extended work-out on "Seven Steps to Heaven," imbued no little humour into his solo with extensive quotes from "Miles, Daring, Clementine," "Bluesette" and "The Teddy Bears' Picnic."

The Terry Jenkins tenor-copied the opening day's celebrations on a suitably stirring note. A punchy, powerful solo was backed by the drummer off-seating playing in the orchestra fronted by the suave James Last. It presented, in a rather under-rating arrangement, and notable solos from among others, altoist King, trombonist Derek Wadsworth, trumpeter Derek Watkins and pianist Tony Lee.

The festivities continue until Sunday December 22.

## Simon Rattle/Elizabeth Hall

Richard Fairman

Simon Rattle's concerts shine out like the proverbial good deeds in a naughty world. Each of his appearances in the capital is a welcome event, for one can be sure that he will take an important 20th-century composer—Janacek at the Coliseum, Stravinsky on Sunday night at the Festival Hall—and put him where he belongs: centre stage in the modern conductor's repertoire.

Stravinsky, one might say, is a young conductor's music anyway. But Rattle has more than just the high spirits of youth to give it, as the control and judgement in these performances are shown. The rhythmic base of the style—strong off-beat accents in the energetic choral chanting of "Laudate Dominum" in the *Symphony of Psalms*—was fully, naturally grasped. And the story of *Petrushka* came across as vivid narrative, not mere orchestral virtuosity.

Excitement was cumulative, not haphazard. Rattle's sure hand on each work brought the *Symphony in Three Movements* to a heated peak of intensity in its last minutes, and the final *Shroveite* Fair section left *Petrushka* with exhilarating momentum. The dances of

the gods and the coachmen, a good deal of *Petrushka* whipped up quite a final frenzy, pushing brass solos and repeated woodwind figures to their limit.

All the more surprising, then, that the *Symphony of Psalms* came off so elegant and close. The eternal tread of pianos and timpani, so mesmerising a musical idea, went slower than the composer's marking (crotchet equals 72) and the piece, paradoxically, lost its sense of timelessness. The London Philharmonic Choir, though, were in strong, articulate form, both here and in the *Mass*, where their sheer numbers rather overwhelmed the chamber woodwind accompaniment.

Neither of the choral works has violins or violas. An evening of Stravinsky means hard work in the other departments of the orchestra, and it was a shame that more rehearsal time had not been found for the less-familiar pieces. Woodwind chording was poor in the first half, and the *Symphony of Psalms* opened with shaky ensemble. Only with the central tableaux of *Petrushka*, distinguished by some first-rate solos, did the LPO hit their highest standards.

## Sade/Albert Hall

Antony Thorncroft

Sade, the hippest singer of the past year whose songs can be heard creating a soothing, bluesy background in every smart boutique, brasserie and hairdressing salon in the world, came to London this week on her global tour, quite naturally to the Albert Hall. She has a most insidious voice, like the torch singer giving all in the background of a Hollywood movie of the 1940s, the honey of a Julie London but with lemon and whisky to pep it up for jaded modern palates.

And in the end the voice, and the cool precision of her songs, overcame an unsophisticated stage presence and a set that looked as if it had been rigged up in half an hour. Fortunately her musicians were able miraculously to reproduce the album sounds and as the lady and they, relaxed, and the jazz rhythms percolated through, the live Sade started to approach the luscious, detached creature of the records.

The material came from her two albums, the first containing those songs that seem much more LA than the London where she grew up, notably

"Smooth Operator" and the plaintive "By Your Side." The latter music, which is on first contact more downbeat, stretches her towards being the contemporary Billie Holiday. There are still lively little numbers which will conquer the discos like "Never as good as the first time," but "War of the hearts" takes her back to the world of sad ladies singing away their lives' cares in saloons while the sax player, in this case Stuart Matthewman, ships her with his equally sorrowful horn. Cue for entry by Lauren Bacall.

Sade's prodigious talent (her voice really is remarkably nerve-end tickling) seems to define her for the US: already her lyrics rhyme "Victoria Lake" with "Empire State" (in the excellent funky "Is it a crime") rather than "Lake Windermere" with "Brighton Pier." No doubt when she next plays the Albert Hall she will be draped in the Manhattan sophistication that her music oozes with. And then we can complain that she is not the nice, simple, rather vulnerable seeming girl she is today.

## Sinopoli/Festival Hall

Dominic Gill

The first of two Philharmonia Orchestra concerts conducted this week by Giuseppe Sinopoli (the second today is an all-Elgar programme) opened on Monday night with Bruch's G minor violin concerto. The soloist was the orchestra's own leader, Christopher Warren-Green. The performance can best be described as capable: though small-scale and never very lushly phrased, it had a solid, well-practised ring. Mr Warren-Green's grimaces were often visually more expressive than the actual aural fabric. In the finale there was a brave effort to pull out all the stops, but in sum, all the same, still more correctness than excitement.

Mr Sinopoli's technical and musical accomplishments have been discussed at length on many occasions in these pages. I certainly hope one day to be able to report a marvellous sea-change in the Philharmonia's principal conductor, one then shall willingly eat my words: but Monday night's concert still tended only to confirm the gloomier judgments.

It was brave of Sinopoli to follow the Bruch concerto, just as it had been brave of Mr Warren-Green to tackle it in the first place, with the andante

adagio movement of Mahler's unfinished symphony—for Sinopoli is really not comfortable in slow music, and his discomfort vibrates in every measure. The concentration of the director, however, flags, and seems to turn inward on itself, whenever there is nothing ahead which is (superficially at least) brightly lit. The music loses its aim. The whole account, after a promising first page, quickly became centreless, and failed to draw the listener with its momentum.

Brahms's fourth symphony ended the evening—and of this we were offered not so much illumination or original insight as pretty plain and forthright exposition of a slightly self-conscious self centre. I liked Sinopoli's care with the wind detail (brass as well as woodwind) of the opening movement, the voicing of the *gloioso* was brilliant and clear. But there was no cutting edge, no intimacy, no grandeur. Every key dramatic gesture was either inflated out of proportion, fudged, or ignored. There was no balance in the larger, or smaller, parts. Admirers might have found that "provocative": I found it only aimless, and deeply unsatisfying.

## Arts Guide

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday, A selective guide to all the Arts appears each Friday.

## Theatre

## NETHERLANDS

Amsterdam, Bellevue Theatre. The English Speaking Theatre. The English presents William Gibson's bitter-sweet comedy, *Two For The Seesaw*. Maxine Henrick and Grant Coburn directed by Gysburg. All week except Thurs. (247248).

Elkhorven, Schouwburg. *Lamda*. Theatre of London with Thornton Wilder's *Skin of Our Teeth*, directed by Roger Croncher (Tue). (111122)

## LONDON

Franda (Olivier). Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dies. (221232).

Gays and Dolls (Prince of Wales). The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Master son of Clarke Peters. Richard Eyre's production and John Guter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Al Ewings (230881).

Gig (Lyric). Unconquering stage revival of Lerner and Loewe's film follow-up to *My Fair Lady*. Beryl Reid rising liminally above the materi-

## Netherlands

al Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (257388).

Camille (Comedy). Pam Grier's rewrite gives Marguerite Gautier a child for whose future security she exchanges her own frail health and love. Don Daniel's studio RSC production does not transfer that well, but Frances Barber is an actress to watch. More coughing on stage than in the stalls, for a change. (930257).

Phedra (Alphons). Welcome return of last year's Philip Prowse production, beautifully costumed, with a brave attempt at the Racinean metre in Robert David MacDonald's translation. Glenda Jackson superb in a strong cast also boasting Georgina Hale, Joyce Redman, Gerard Murphy and Robert Edlison (238044).

## TOKYO

Noh. There are performances at most of Tokyo's Noh theatres at weekends. Details in Tokyo English daily and Tour Companion available at major hotels. Two handy little books *A Guide to Noh* and *Guide to Kyogen* in most hotel bookstores give summaries of plots.

## WASHINGTON

Night Mother (Arena). Marsha Norman's searing view of a mother and daughter on the night the daughter announces her intention to commit suicide requires a strong stomach for hard-bitten realism. This production by James C. Nicola has Helen Wins as daughter Jessie and Ann Guilbert as mother Thelma. Ends Dec 8. (488330).

## Nov 29-Dec 5

## CHICAGO

King Lear (Goodman). The Stratford Festival of Ontario production puts Lear in a rustic setting that looks much like the North American frontier. Ends Dec 22. (4433810).

## NEW YORK

Cats (Winter Garden). Still a sellout. Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically felicitous, but classic only in the sense of a rather staid and overdone idea of theatricality. (339 227).

A Chorus Line (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage-story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace). Some beautiful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757283).

I'm Not Rappaport (Booth). In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retires Hirsch, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

## Arts Council/Antony Thorncroft

## More money than expected

The 200-odd clients of the Arts Council can release their breath—their grants for 1986-87 will be raised, on average, by 4 per cent, better than expected. A few will receive no increase in aid; some a boost of over 4 per cent; the great majority, including the big clients like the Royal Opera House and the National Theatre, can expect around 4 per cent more, perhaps not sufficient to cover inflation but good enough to stay in business at their current rate of activity.

The Arts Council has split its basic grant of £110.6m in a way which bolsters its current clients but backs on its programme of pushing money towards the provinces. It has found, mainly from its reserves, £2m extra for regional development but basically its future

hopes have been overtaken by the need to keep the existing companies going at a time of marginal cuts in Government expenditure on the arts.

Last week the Arts Council announced that it could not make good the £700,000 spent by the doomed metropolitan councils on five theatres—Sadler's Wells in London; the Philharmonic Hall in Liverpool; the Empire in Liverpool; the Theatre Royal Newcastle; and the Sunderland Empire. Their future depends on generous local authorities.

The Arts Council will announce how it will distribute the extra £25m it was given by the Government to compensate for the abolition of the met after it has completed talks with successor authorities. It is hopeful that they will make a contribution to the £10m shortfall in subsidy that remains.

## Saleroom

After its success on Monday night, when it sold Impressionist and modern pictures for £3.5m with only 9 per cent unsold and achieved auction records for Chagall and Fautou-Latour, Christie's returned to a more normal Impressionist sale yesterday morning with a £1m total and 31 per cent bought in.

The top price was the £91,800 for a portrait by Renoir of his son Jean as a child, while the

London dealer Nigel Pollitzer paid £70,200 for a portrait of a couple by Nolde. A Utrillo street scene realised £35,880. Christie's South Kensington was doing quite well with its tribal art, a rare Owo bronze full of small figures, perhaps the best to appear at auction, doubling its estimate at £16,000, and an Owo ivory divination tapper also beating its target at £3,500.

A.T.

July 10 1980



## The biggest problem with personal computers

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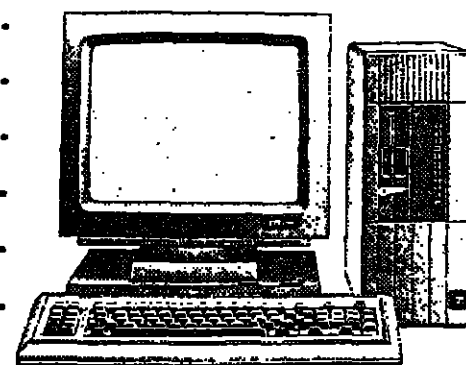
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## FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 4BY  
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Wednesday December 4 1985

## Bigness and competition

TAKEOVER activity on the London stock market is reaching a level which dwarfs the merger boom of the early 1970s. But the proposed bid by General Electric Company for Plessey, which was announced yesterday, is of a different character from the opportunistic or defensive deals which have been common in recent weeks. It is based on old-style industrial logic, designed to achieve rationalisation—primarily in telecommunications equipment. It is reminiscent of the moves made by GEC itself nearly 20 years ago, when it took over, first Associated Electrical Industries and then English Electric.

Those deals led to an overdue and successful reorganisation of the country's heavy electrical industry. Whether GEC can repeat the exercise in telecommunications and electronics is open to question, while it obviously has the necessary financial resources, its recent record in these fields has been mixed.

Developments both in the UK market and overseas have made changes in the structure of the British telecommunications equipment industry almost inevitable. The newly privatised British Telecom is free to buy switching equipment from non-UK suppliers and has begun to do so on a significant scale. BT has made no secret of its dissatisfaction with its traditional suppliers (Plessey and GEC), which in turn complain that BT's overseas purchases deprive them of economies of scale. In this context a pooling of resources makes obvious sense, even though it might lead to a higher level of imports as BT continues to diversify its sources of supply. But the bigger challenge for the merged company would be to enlarge its share of the export market, where the British position is at present weak. Catching up with the world leaders in the US and elsewhere will be a formidable task; all that can be said is that a combined Plessey-GEC is more likely to do it than the two

**Monopoly**

Should the Government refer the proposal to the Monopolies Commission? There are obvious competitive implications in telecommunications and in defence electronics; the Ministry of Defence, determined to promote competition among its suppliers, might well be concerned. The two most important customers, British Telecom and the Defence Ministry, are themselves near-monopoly buyers which are well able to look after themselves; both of them can

and rival suppliers abroad if necessary and should be under no political pressure to buy British. If the aim of the deal is greater international competitiveness, a more competitive home market is also needed. There is a case for Monopolies reference, if only to explore fully the competitive aspects and perhaps to recommend some living-off where the combined group has a monopoly position. But, given free access to imports, the case is much less strong than with some recent food and retailing mergers, where competition from overseas is slight or non-existent.

The future of Britain's electronics industry has to be looked at in an international context. As long as the home market is genuinely open, the existence of very large British companies is acceptable and even desirable in sectors where economies of scale are important. But the enthusiasm for economies of scale should not be carried too far. Many of the mergers of the 1980s and early 1970s, which were justified on grounds of greater international competitiveness, failed to achieve the desired results.

Moreover, electronics is at a very different stage of development from that of the heavy electrical industry 20 years ago. Technology is advancing rapidly, creating new opportunities for nimble entrepreneurs. It would be most regrettable if a GEC/Plessey combination produced a merger wave among other electronics companies, leading to a consolidation in the hands of two or three giant concerns. Quite apart from the undesirable political consequences of such a concentration of lobbying power, multiple centres of initiative and innovation are required in this industry—a point which the Government should bear in mind in considering Monopolies Commission references.

The "national champion" approach, in which a country puts all its resources in a sector behind a single chosen leader, is a well-known strategy, but it is not the only one. Some will prefer to stay small, specialising in suppliers, might well be concerned. The two most important customers, British Telecom and the Defence Ministry, are themselves near-monopoly buyers which are well able to look after themselves; both of them can

## Austria blots its copybook

AUSTRIA, which so often is held up as a model of macro-economic management, has badly blotted its copybook. The open crisis which has broken out in its state-owned industry has focused attention at home and abroad on some serious shortcomings. Unless the crisis is mastered, it may seriously place in question the entire basis of the Austrian model—the consensual system known as social partnership between labour and employers.

Emergency measures have been taken since it became known last week that losses at Voest-Alpine, the steel and engineering concern which is the biggest state-owned enterprise, are spiralling out of sight. The entire board of management has resigned. New capital has been provided and the minister for state-owned industry, Dr Ferdinand Lachner, has given a public assurance that the Government intends to restore the capital basis of the troubled concern.

But these are first aid measures only. A cure will require the abandonment of the belief that Voest and other state-owned enterprises can afford to support plant and jobs for whose output there is no market demand. Mr Lachner stated the problem. What went wrong at Voest is easily summarised. The core steel and engineering business at Linz has mastered the international steel crisis quite successfully. But Dr Bruno Kreisky, the former Socialist Chancellor, for reasons of regional policy, made it merge with an unviable steel mill at Donawitz in Styria and take over an unprofitable special steel industry.

**Final straw**

In its efforts to get out of the red the board diversified into commodity chips as then into the worldwide fashion and burnt its fingers. A steel venture in the US proved disastrous and the final straw was heavy losses in futures markets made by Voest's trading affiliate.

An understanding of the problems dogging Voest and other state-owned Austrian enterprises requires some

knowledge of the history of the sector. Nationalisation occurred after the war, as the result of applying socialist doctrine. Socialists and conservatives united to place in the hands of the reformed Austrian republic positions of economic power that from 1938 to 1945 had been in German hands.

At the same time the consensual system was born in which labour and managements agreed to live and let live. For many years Socialists and the conservative Austrian People's Party governed together. Though that grand coalition has broken up, jobs and positions of influence still tend to be shared out among the parties.

Whether the spoils system ensured the appointment of the best available talents may be doubted. But the arrangements ensured industrial peace and helped to transform one of Europe's backward countries into a small but effective industrial power.

**Insistence**

What the state sector has proved unable to do is to satisfy the insistence of politicians of all parties that it must provide jobs, as at Donawitz, which have no market justification. Nor has it been allowed the flexibility required to make the structural adaptations needed. The result has been disproportionately slow growth of productivity, disguised unemployment and the need for regular government money from a stretched budget to compensate for losses. During the recession the sector's political masters could argue that it was better to subsidise jobs than to pay unemployment benefit. But in the improved business climate, that argument is looking increasingly ragged.

Dr Lachner's statement about the need for profits shows that this realisation has begun to sink in.

As regards the larger issues, social consensus is in danger of becoming an excuse for taking the easy option. Where too heavy a price is paid for consensus, consensus itself will eventually break down.

THE General Electric Company's £1.2bn bid approach for Plessey both marks the end of months of City speculation about the next stage in GEC's corporate strategy and what could prove the start of a restructuring of Britain's troubled electronics industry.

Lord Weinstock, GEC's managing director, was keen yesterday to emphasize the benefits of a merger in terms of efficiency and international competitiveness, particularly in the area of telecommunications, where both companies are involved in making Systems X exchanges.

These arguments will undoubtedly find an echo in some parts of the Department of Trade and Industry, where there have been signs of growing concern about the weakness and fragmented structure of the UK electronics sector in the face of increasing international competition.

However, the proposed merger also raises two other important—and in a sense, opposing—questions. These are, how it will square with Government competition policy and how effective it will be in producing a combined group really capable of making an impact on world markets.

British Telecom, which is overwhelmingly both GEC's and Plessey's largest customer for telecommunications equipment, may well see virtue in a merger. It has long complained about the shortcomings of the Systems X production arrangements—which require the two companies to collaborate while supposedly also competing against each other.

The newly-privatised BT is keen to diversify its procurement internationally and has already opened the UK public exchange market to Thorn, Ericsson, jointly owned by Thorn EMI and Sweden's L. M. Ericsson. BT also wants to buy 51 per cent of Canadian private exchange maker Mitel, though its bid has been referred to the Monopolies and Mergers Commission. BT would probably not be too worried about any diminution of competition resulting from a GEC/Plessey merger. Moreover, earlier this year, Lord Lucas of Chilworth,

a trade minister, publicly encouraged the idea of a merger of the two companies' telecommunications businesses.

The liberalisation of the UK telecommunications market and BT's tougher procurement policies are, of course, a major factor in the recent problems of the UK electronics sector. Profits of most leading manufacturers, including GEC and Plessey, have been under pressure, and STC, a traditional BT supplier, has been struggling with serious difficulties.

Where the GEC proposal may run into official resistance is in defence, since it appears to run counter to the UK Defence

Ministry's efforts to promote increased competition between suppliers. There is substantial overlap between the two companies' businesses, particularly in radar, tactical radio and other types of communication. Plessey's activity in sonar systems is the only major area where GEC has no presence.

A higher proportion of Plessey's defence sales are outside the UK than is the case for GEC, and GEC will doubtless argue that a merger would unify the two companies' efforts overseas, where they sometimes compete head-on. But MoD officials may need some convincing that the bid

encouraged a trade minister, publicly encouraged the idea of a merger of the two companies' telecommunications businesses.

After decades of stately and predictable progress, the international telecommunications industry has become particularly important and is now entering a brutally competitive version of the elimination quickstep. Worldwide, companies are scrambling to choose partners before the music stops.

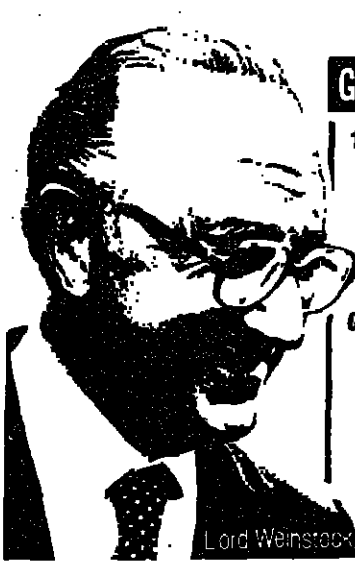
With major US companies, including American Telephone and Telegraph and International Business Machines, the large computer manufacturer in the world, the industry is being reshaped by a proliferation of corporate alliances, takeovers and mergers.

Three principal and related forces lie behind the upheavals: ● The accelerating merger of computing and telecommunications technology, which is opening up huge opportunities for new products and services in areas such as office systems, factory automation and high-speed data transmission. ● The need to gain access to a wider range of international markets to achieve higher sales

volume in the face of shorter product life cycles and fiercer competition. This has become particularly important as the industry's growth rate has fallen to around 20 per cent a year. But few of the world's 20-odd suppliers can any longer obtain such volumes only in the home markets which have traditionally provided most of their sales.

This grim arithmetic has caused even AT & T, by far the world's biggest manufacturer, with annual exchange sales worth more than \$2bn, to expand overseas, while European companies such as Siemens, L. M. Ericsson, Alcatel-Thomson and Plessey are all seeking to enter the US market.

The problem of achieving economies of scale is particularly acute for European companies because their fragmented national markets are mostly quite small and because there are so many of them. Ten companies are struggling to sell digital exchanges in Europe, which accounts for barely a fifth of the world total. Several European suppliers



GEC'S BID FOR PLESSEY

## The mountain starts to move but may still meet resistance

By Guy de Jonquieres

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Both the French Government and the EEC Commission have called repeatedly for European suppliers to join forces in telecommunications manufacturing. But little progress has been made, and it now seems much more likely that the main axis for European reorganisation will be transatlantic.

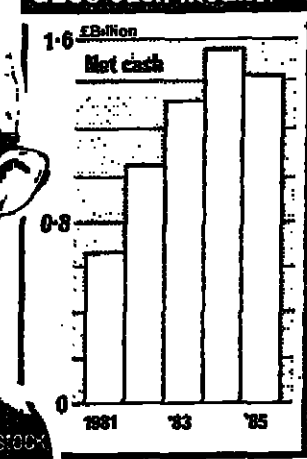
Siemens, which has long been cool towards European co-operation, is already in advanced talks with GTE, the second largest US telephone company, on a proposed joint venture. Some industry observers believe the talks could result in GTE phasing out its own telecommunications manufacturing business and opening its network to Siemens equipment.

France's CGE group, owner of Alcatel-Thomson, has also held extensive negotiations with AT & T. These have been blocked by the French Government in advance of next year's parliamentary elections—both for political reasons and because French officials judged the proposals too favourable to AT & T.

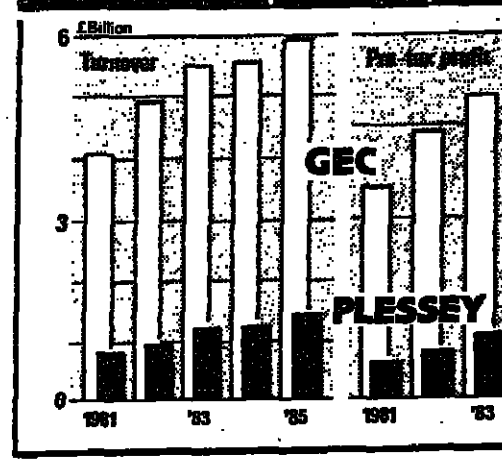
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France's experience may be instructive for Britain. A merger of GEC and Plessey could lead to a more rational industrial structure and more efficient production of Systems X digital exchanges. But given the spread of international alliances and the fierce battle for global markets, would a purely UK-based solution be enough to assure a world-competitive industry?

## GEC's cash mountain



## The companies compared



Sir John Clark, Brian Reddy

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## Third man promoted

Michael Angus, the chairman elect of Unilever, sees one advantage in his forthcoming elevation. For two years, he has been the third man in Unilever's Special Committee, the all-powerful triumvirate made up of the two chairmen of the British and Dutch sides of the group and one other director.

It's a three-man chief executive, and theoretically equal, Angus says. But some are more equal than others. With two chairmen it's never very clear who's number one. But there's never any doubt who's number three.

Unlike the outgoing British chairman Sir Kenneth Durham, who spent his formative years with Unilever as a scientist, Angus is a marketing man through and through. He started 30 years ago as a toiletries salesman—"I was actually a management trainee, but they threw me in at the deep end."

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## Men and Matters

The monthly Digest of Statistics came down by 35p a copy last year, and is being reduced by a further 20p for the coming year.

The CSO says the cuts are being achieved by greater efficiency without any reduction in quality, size, or coverage of the publications.

In its small way the CSO is putting a better shine on the very statistics it sells.

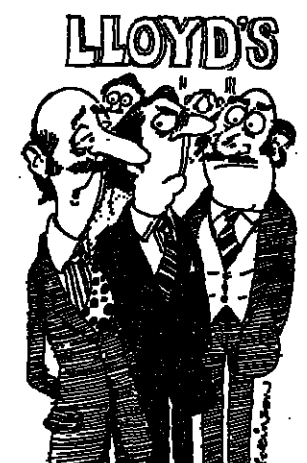
## Political comeback

Bourassa is back—but hardly in triumph. Robert Bourassa, Premier of Quebec from 1970 until his Quebec Liberal Party was swamped by the autonomist tide of the Parti Quebecois in 1976, can pick up where he left off as a result of his party's victory in Monday's elections.

But voters welcomed the party back rather more warmly than its leader. Bourassa was defeated in his own Montreal constituency and will have to work his way into the provincial legislature in some future by-election.

Bourassa, 52, an Oxford and Harvard trained economist, has always seemed a somewhat cold technocrat to the electorate. He is certainly no television star; and throughout the election campaign trailed badly behind the Quebecois leader, Pierre Marc Johnson, 39, in the personal popularity ratings.

But Bourassa rebuilt his team and worked hard at constituency level to win, just as the Parti Quebecois did in 1976. After that defeat by Rene Levesque, the PQ founder, Bourassa seemed finished. But he planned his comeback with adroit timing. He spent some time studying and teaching in



"Well if we're all from the Fraud Squad let's form a Syndicate"

at hand, in plane or car, to keep in touch with his party organisers.

And he got through to the voters, too, with his promise of better economic management.

## Laager hour

South Africa's problems have been muted since the ban on television coverage has taken the rioting there off the world's screens.

But another picture emerges in the South African Financial Mail, which has cheekily borrowed the FT's Saturday pages title. How To Spend It, for a survey of its own, sub-titled The Rich At Play.

For the South African well-to-do, it says, fun is high on the priority list. "They are determined to enjoy themselves—while they still can."

It adds: "Admittedly large numbers of the moneyed folk are too busy planning their escape by land, sea or air, to afford the time off for a brief interlude in a world of fun or fantasy."

"But the eat, drink and be merry for tomorrow you may die attitude, as they splurge on anything remotely connected with relieving the doom and gloom, is very much in evidence. And who can blame them?"

## Of no account

The sharp-eyed members of British Telecom's debt recovery group miss nothing. Hence, apparently, this signed letter to a subscriber in south-west London the other day.

"Dear Sir/Madam. You may have forgotten that the instalment of £0.0 on your bill for telephone number 01— is now overdue."

"Will you please send me the £0.0 by return. If you do not, it may become necessary to take legal action to recover the debt."

Non-plussed by this demand for non-payment, the subscriber says she has sent a suitably non-committal reply.

Observer

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236 Edgware Road, London W2.

July 1985







## Carbide to pay extra \$890,000 to Bhopal workers

By K.K. Sharma in New Delhi

UNION Carbide India, the subsidiary of the US multinational whose pesticides factory at Bhopal was closed after the gas leak tragedy a year ago, yesterday announced that it had reached a settlement with former workers at the plant on compensation claims.

The Indian company announced in Bombay that it would make a payment of Rs 10.7m (about \$890,000) in addition to normal benefits for termination of employment received by the 627 Bhopal employees.

The former employees at Bhopal have been agitating for higher compensation than is stipulated legally on the grounds that closure of the pesticides plant was the result of highly unusual circumstances. The factory was closed on orders of the Madhya Pradesh state government after more than 2,000 people were killed and about 200,000 injured because they inhaled methyl isocyanate gas that leaked from storage containers.

The first anniversary of the worst industrial disaster yet was observed in Bhopal and Madhya Pradesh yesterday with prayers and demonstrations against Union Carbide, which was strongly attacked for not having given any financial assistance or compensation to the gas leak victims, thousands of whom are still to be rehabilitated.

The Indian Government has filed a claim on behalf of the victims in a New York district court for compensation from Union Carbide. The company wants the cases to be dealt with in Indian courts.

Efforts to reach an out-of-court settlement have not succeeded and a long legal battle on the questions of jurisdiction and liability is expected.

The announcement that Union Carbide India has reached a settlement with the Bhopal workers' union on their compensation claims is expected to strengthen the argument of the Indian Government that special compensation should also be paid to the gas leak victims.

## Westland to discuss joint rescue bid

By James Buxton in Rome

SENIOR executives of three European helicopter companies are to meet Mr Michael Heseltine, the UK Defence Secretary, and officials from Westland on Thursday to discuss a joint proposal for rescuing the troubled British helicopter maker.

The three companies are Aerospaciale of France, Messerschmitt-Bölkow-Blohm of West Germany and Agusta of Italy. Last Friday in London they agreed a protocol of understanding on a proposal to buy and divide up equally between them 29.9 per cent stake in Westland.

The agreement was also signed by Lloyds Merchant Bank for the French and West German companies, and by Credito Italiano for Agusta.

The French and Italian companies, which are state-controlled, then presented the proposal to their respective governments.

It was learnt yesterday that the Italian Government had not yet given approval for Agusta to invest in Westland.

None the less the Italian Government indicated to Agusta before last week's London meeting that it was prepared in principle to give it financial backing to a rescue operation for Westland.

The future of Westland, which faces a serious financial crisis because of a shortage of work until 1990, is crucial to Agusta because they are working jointly on a project for an improved version of Agusta's A129 anti-tank helicopter.

Agusta, whose own financial position is weak, is depending heavily on this Westland project.

Westland job cuts, Page 6

## Cable and Wireless sale set to raise £933m

BY LUCY KELLAWAY IN LONDON

THE SALE of shares in Cable and Wireless, the UK telecommunications group, which will be the second largest UK equity issue after the flotation of British Telecom last year, has been fully underwritten at 587p a share, 5 per cent below Monday's closing price on the London Stock Exchange of 616p.

The issue will raise a total of £933m (\$1.38bn), of which £802m will go to the Government, which is selling its remaining stake in the rapidly expanding telecommunications group. The remaining £131m will go to the company. The shares are in partly-paid form with 300p payable on application and the balance in March 1986.

The modest size of the discount came as no surprise to the City of London, and broadly matched that on the recent British Aerospace issue, although it was lower than the

10 per cent discount on the sale of shares in British.

A campaign is now in full swing to inform the public about the Cable and Wireless issue, exceeded in intensity only by the British Telecom privatisation campaign.

Merchant bankers to the issue, J. Henry Schroder Wagg and Kleinwort Benson, have just completed a roadshow of Britain and continental Europe, raising awareness of the company among private investors.

"The feedback from the roadshow has been most encouraging and we are looking forward with confidence to this being a most successful issue," Mr David Clementi, of Kleinwort Benson, said yesterday.

The placing of the shares with institutional investors was yesterday completed by the brokers to the is-

sue, Rowe & Pitman and Cazenove. As spelled out in the "pathfinder" prospectus released last month, up to two thirds of those shares can be clawed back from the institutions to meet demand from the public, existing shareholders and employees.

The prospectus will be advertised on Thursday and application lists will open at 10am on December 11. Prospective investors are warned to post their applications early to prevent them from becoming caught in heavy Christmas post.

Underwriters are not doing as well out of the issue as they did with some earlier government share sales, receiving a commission of only 0.5 per cent on the portion of shares being placed directly with them, and 1.25 per cent on the shares subject to the recall clause.

See Lex

## Sohio to take \$1.15bn charge for mining restructuring costs

BY WILLIAM HALL IN NEW YORK AND DOMINIC LAWSON IN LONDON

STANDARD Oil of Ohio (Sohio), British Petroleum's (BP) 55 per cent owned US subsidiary, is taking a \$1.15bn after-tax charge that will primarily cover the cost of restructuring its loss-making mining operations.

Mr Alton Whitehouse, Sohio's chairman, said the charge, which will be taken against fourth-quarter 1985 profits, "results from a corporate reorganisation of our assets in light of today's circumstances."

For BP Sohio's write-offs will be reflected in an extraordinary charge of about £600m on the current year's accounts. This compares with oil analysts' estimates that BP will make profits of about £1.7m after tax this year.

Sohio's action recognises concern about future oil prices, the continued weakness of coal and copper markets, and general uncertainties, Mr Whitehouse says.

Sohio is the latest in a string of US oil majors to take big write-offs to cover costs of restructuring operations. Wall Street analysts said yesterday that Sohio's fourth-quarter charge and the associated moves to boost cash flow and profitability were long overdue.

Some of Sohio's rivals took similar action some months ago for fear of attracting the attentions of a corporate raider, said one analyst, who noted that there had been less pressure on Sohio because it was effectively protected from the pressures of the marketplace by BP's majority ownership.

Aside from the write-off, Sohio also announced yesterday plans to spend \$400m on restoring the profitability of its money-losing copper operations, an estimated 20 per cent cut in annual capital spending, a cutback in oil exploration, and increased emphasis on oil production and development.

The company estimates that the measures will boost its cash flow by more than \$500m in 1986 and 1987 and that the resultant cost reductions should contribute approximately \$175m "to 1986 after tax earnings."

In the first nine months of 1985 Sohio earned \$1.08bn. In 1981, Sohio's peak year, the group earned \$1.95bn.

A large part of yesterday's write-off is associated with Sohio's ill-fated diversification into copper mining in 1981. Its \$1.8bn acquisition of Kennecott, the largest US copper producer, coincided with the peak in metals prices. Since then copper prices have dropped by over 50 per cent, which has led to heavy losses for Kennecott's new owners. Earlier this year Sohio suspended operations at its biggest copper mine, Bingham Canyon in Colorado.

## GEC makes surprise £1.16bn merger approach to Plessey

Continued from Page 1

approach to Plessey. He denied that there had been any advance consultation with the Government.

Both the Department of Trade and Industry and the Ministry of Defence declined to comment last night. It was unclear whether the Government would refer a deal to the Monopolies and Mergers Commission if GEC made a formal offer. British Telecom also had no comment.

Lord Weinstock said GEC's proposal was intended primarily to achieve improved efficiency and output of telecommunications equipment, particularly of the System X digital public telephone exchanges which both GEC and Plessey make.

He said the stricter procurement policy adopted by BT, particularly since it was privatised last year,

HOW THE COMPANIES COMPARE			
	GEC (year to March 31, 1985)	Plessey (year to March 29, 1985)	
Turnover	£5,970m	£1,426m	
Pre-tax profits	£725m	£164m	
Employees	165,000	37,500	
Main interests	Electronic systems and components; telecommunications and business systems; automation and control; medical equipment; power generation; electrical equipment; consumer products	Electronic systems and components; telecommunications and business systems; automation and control; micro-electronic components; computer peripherals	

had created a more difficult climate for its suppliers and required them to perform to much higher standards than in the past.

"I certainly concede that the way BT has behaved has made it necessary for us to do better," he said. Lord Weinstock has been a vocal

critic of the Government's handling of the privatisation of BT.

Lord Weinstock argued that yesterday's merger proposal was different from GEC's approach last year to British Aerospace, which had been made in response to an attempted takeover by Thorn EMI.

## EMS logjam broken

Continued from Page 1

tion of an open Common Market. They were also still divided on a plan to increase the powers of the European Parliament without eroding the ultimate sovereignty of the member-states.

A very modest package of reforms was expected to emerge, including a treaty on foreign policy co-operation, measures to step up development of new technologies, environmental protection and more support for the poorest EC member-states, industrial regions and inner city areas.

Major reservations are likely, however, from both Italy and Denmark. The Italian Government is adamant that the whole deal must

be acceptable to the European Parliament, while Denmark fears it will be much too radical to be approved by its own national parliament in Copenhagen.

Either of the two could upset finalisation of the whole package, which requires unanimous agreement, and ratification by all national parliaments. It will also need to be submitted to rigorous legal drafting.

Mrs Thatcher's concession on the monetary reform was the first major move made by the British Prime Minister to encourage agreement, given her long-standing opposition to the whole exercise of treaty reform.

## Western aid 'to rise 4%'

WESTERN AID to developing countries is expected to increase by 4 per cent in real terms this year and is likely to continue growing modestly next year, Mr Rutherford Poole, chairman of the Development Assistance Committee (DAC), said yesterday.

The Organisation for Economic Co-operation and Development (OECD), said yesterday, Paul Betts writes from Paris.

Mr Poole was speaking at the end of the annual meeting of the committee, which for the past 25 years has sought to encourage a common approach to aid to developing countries. The committee includes 19 Western countries which together are responsible for about 75 per

cent of the total flow of official development aid to developing countries.

Despite budgetary restraint in many member countries, Mr Poole said he was encouraged by the continuing growth in development assistance. The 4 per cent increase this year represented about \$1bn of growth in aid.

Mr Poole said there was still considerable scope for increasing the quantity and quality of aid. Growth of aid has in some cases lagged behind the growth of the gross national product (GNP) of member countries with the current ratio of development aid to GNP averaging 0.38 per cent last year.

## UK church attacked for report on social problems

By Robin Pauley in London

THE FULL political battle over the Church of England's report on the state of Britain's inner cities opened yesterday with government leaders attacking it as being muddled-headed and Labour Party policy.

The report's contribution to the debate was welcomed by the Liberal and Labour parties, the Trades Union Congress and the Confederation of British Industry, the UK employers' organisation, and Lord Soames, author of a previous report on inner cities.

Dr Robert Runcie, the Archbishop of Canterbury, officially published the report, by the commission he set up two years ago to inquire into urban priority areas. He urged that the report which was leaked at the weekend, should not become a political or sectarian football and he attacked the "near campaign" against the report before its launch.

"Some of the unattributed sources have really done damage to themselves by the kind of irresponsible generalisations which have been made about a report before it had been read," he said.

This was taken particularly to refer to reports that an unnamed government minister had dismissed the report as Marxist theology. Dr Runcie denied that the document was Marxist.

The report is deeply critical of the Church of England's record on the inner cities and calls for reforms within the church. But its parallel criticism of government policy in every area, especially housing and employment, has touched a particularly sensitive nerve.

Mr Jeffrey Archer, deputy chairman of the Conservative Party, said it would have been wiser not to have chosen "a known supporter of the Labour Party" as chairman (Sir Richard O'Brien, former chairman of the Manpower Services Commission, which administers the Government's employment and training scheme).

Mr Norman Tebbit, party chairman, said Sir Richard was a former Labour member and supporter, "and I don't know if he still is."

Sir Richard replied that he had not been a member of the Labour Party since he moved to London 10 years ago.

Mr Norman Willis, General Secretary of the Trades Union Congress, said he was sorry the report had come under such attack. It was an important but basically moderate report.

Mr David Steel, the Liberal leader, said the report's general thrust and emphasis on housing and employment were much to be welcomed as a serious contribution to the solution of a grave social problem.

Dr Runcie said the report would not be a comfortable read for those exercising power in both church and state. "It raises questions not only about church priorities but about national, ethical and moral priorities too."

People must recognise the magnitude of the social and economic plight that had overtaken some parts of Britain in the last decade, he said.

News analysis, Page 9

## Pan-European chip company on target

Continued from Page 1

summer of 1986 from rented plant in Europe.

ES2 also plans to establish design centres in or near London, Paris, Munich, Milan and Stockholm. It will franchise its microchip design technology in order to increase the volume of custom microchip designs available for translation into silicon chips.

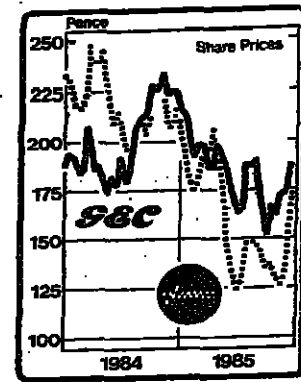
All of ES2's senior management appointments have been made. Mr Jean-Luc Grand Clement, formerly of the US semiconductor group Motorola, has been named chief executive officer. Mr Robert Heikens, formerly European managing director for National Semiconductor, and Mr Robb Wilmet, chairman of STC International Computers, are non-executive co-chairmen.

Mr Pierre Lesieur, formerly with Motorola European Semiconductor Products, is vice president for finance. Mr David Cooksey, co-founder of the venture capital company Advent Technology, is a non-executive director.

Dr John Gray and Dr Irene Buchanan, co-founders of Lattice Logic, a UK-based company which has pioneered the techniques in which ES2 will specialise, are to leave Lattice to join ES2.

## THE LEX COLUMN

# Conference call from GEC



The market has been demanding action from GEC for so long now that it was honour bound to greet yesterday's approach to Plessey as a move which added several hundred million pounds to the joint market value of the two groups. In the excitement of the moment, there was little attention paid to the depressing profit figures almost coincidentally sent out from GEC yesterday. But that would have spoiled the fun. Like Plessey a couple of weeks ago, GEC was putting out news of significantly lower pre-tax profits for the first half of its year, at £289m. GEC was about 13 per cent down.

The argument for the proposal is clear enough. Faced with expensive duplication of effort in one major activity - telecommunications - and in many other places besides, GEC can see that consolidation ought to improve the returns, not just in manufacturing but in research and development as well. In markets where large investments have led to world over-capacity, it is compellingly attractive to reduce the amount of capital employed and turn it over faster. Moreover, the idea of fighting more effectively against the groups' increasingly cantankerous monopoly customers, British Telecom and the Ministry of Defence, is seductive, provided that the customers and the OFT will wear it. If international scale is truly a motive, it may be that GEC has so changed its policy on competing in the public switching markets that it is even prepared to pump serious amounts of money into Plessey's struggling US subsidiary, Stromberg Carlson.

Ramming the two organisations together, in Lord Weinstock's best style of the 1980s and 1970s, could thus solve a number of the structural problems which have been worrying investors in the UK electronics industry of late. Yet it leaves unanswered the questions about international marketing and competitiveness which might conceivably have found a solution if GEC had been able to secure a deal with one of its foreign counterparts.

At the same time creating a stronger domestic capability in either telecommunications or defence electronics may be to some degree self-defeating. BT appears only too likely to seize an excuse for driving down prices by sending more orders overseas. If this seems a less easy option for the Mod, it can still tighten the screws by going more often to the likes of Racal and Ferranti.

Constructive GEC's proposal may be, but tactful it is not. Had GEC gone to Plessey with a cash offer of 180p, on a morning when the shares were opening at 130p or so, Plessey's directors might have found it hard to avoid recommending acceptance. Coming in 20p lower, and with so little warning, GEC has probably done what is necessary to ensure that a deal cannot be struck at much less than 200p, if at all.

Admittedly, Plessey cannot be adequately valued just on its balance sheet; its technological resources demand a rich layer of goodwill. But market forecasts for its current year profits vary by as much as 40 per cent; it is hard to say what that premium should be. On the market's most pessimistic profit projections, however, the Plessey multiple at GEC's price does not rise much above 12 - remarkably close to GEC's own, on the reasonable assumption that its earnings per share for the year, as for the first half, are static.

## Cable and Wireless

Safety first has been the guiding principle of the Cable and Wireless offer, so it was no surprise yesterday to see the sponsors setting the subscription price at a conventional 5 per cent discount. If they take their cue from the secondary market, the underwriters may already be having bad dreams about the underwriting risk. It took the GEC/Plessey proposal to reverse the market's fall yesterday and Cable has been sliding with the best of them over the past few days.

But, unless the market really takes a dive, the institutions should be well protected by the almost embarrassing level of retail interest in new equity. Cable may not quite be Laura Ashley but, by the time the television marketing campaign has finished, submarine cables should look almost as exciting as designer wallpaper. So there is a strong possibility that retail demand will be strong enough to trigger the claw-back from the institutions.

In those circumstances, it is only right for the issue's sponsors to restrict the firm placing commission to 4 per cent. There is no point in paying investors more for the privilege of taking equity which they would otherwise have to buy at a higher price in the market.

## BP/Sohio

Mr T. Boone Pickens may have retired from the corporate stage, but his spirit lives on. Yesterday's decision by Sohio to write off well over tenth of its net worth falls clearly in the pattern set by Arco, Amoco and Mobil in anticipation of a threat from the likes of Mr Pickens; and one can only surmise that Sohio would have been forced to act earlier but for the protection afforded by Britannic House.

The London market had been primed to expect some charge in BP's fourth-quarter earnings from a clean-up of its metals and mining operations; but the extraordinary item of £600m announced yesterday was, as they say, rather higher than expected. In wiping over \$1.8bn (or \$1.15bn after tax) off its mining assets and various oil and gas leases, Sohio has recognised the bankruptcy of its decision to diversify. BP's cash flow into the Kennecott copper acquisition in 1981; or perhaps the write-off was the price of BP's approval for a last-ditch \$400m investment in the copper mines.

As it is, Sohio should see a cash benefit (not least from lower tax payments) of about \$500m; and with a drop in the exploration charge next year as part of the corporate retrenchment, this could translate into an earnings boost of about \$80m at BP. The only thing missing from a classic Pickens package is any new share-repurchase scheme - which would certainly make sense if BP really is taking a greater hold on Sohio's management.

## ADVERTISEMENT

### UPDATE

#### A Bulletin about New Business from Northern Engineering Industries plc

#### Sellfield Equipment (UK)

Thompson Nuclear Engineering has secured a £3m order to supply British Nuclear Fuels with handling equipment for active plant at Sellfield.

#### Gears for Danish Navy (Europe)

Allen Gears will supply main propulsion gearing valued at £1.25m for seven vessels of the Royal Danish Navy.

#### Display Systems (USA and Saudi Arabia)

NEI Canada has won orders for electronic display systems including pro-tennis scoreboards for Santa Clara Convention Centre, displays for Chicago Mercantile Exchange, and a £300,000 Dataram for AT&T Saudi Arabia.

#### Dump Trucks (Europe)

Haulmatic has secured a £1m order for 15 10-tonne dump trucks from the Ministry of Defence, mainly for European service.

#### Communications Order (Canada)

Exel Corporation has won an order to supply 1000 CANWIC terminals to CNCP Canada.

#### Dungess Switchgear (UK)

Reynolds Power Switchgear has obtained a £1m order from the CEBG for 300kV SF6 switchgear for Dungess power station, Kent.

#### Distribution Transformers (Canada)

NEI Canada has won a £250,000 order for distribution transformers from British Columbia Hydro, Canada.

#### Equipment for Bahrain (UAE)

Lee Howl has secured an order for pumps, pipework, valves, controls, fans and ducting for the Tubli Bay tankered waste project in Bahrain.

### Khartoum North Power Station Officially Opened

A 66MW oil-fired utility power station built by NEI in the Sudan was officially opened yesterday (3rd December) by the Sudanese Minister of Energy, Mining and Industry, H.E. Abdel Aziz Osman Musa. H.R.H. Princess Anne was present at the ceremony.

NEI Project Ltd, NEI's central engineering and contracting company, headed the consortium which built the power station for the National Electricity Corporation. It has been generating electricity since the beginning of the year and gave particularly good service during the recent drought which cut output from hydro-electric stations.

Several NEI companies were involved in supplying equipment for the £50m contract; the two bidders were from NEI International Construction and the two turbine generators from NEI Turbine NEI made up the water treatment plant.

NEI Electronics supplied the control and instrumentation systems, including digital control of boilers and turbines producing immediate response to the electrical load requirements of the Blue Nile grid.



The turbine hall of Khartoum North power station

### New Electrochlorinator Launched

International Research & Development Co. Ltd. has developed a new electrochlorinator now being marketed by Croydon Ltd. The equipment disinfects 200,000 litres of water per day, enough to supply 4,000 people, and has applications in hospitals and in many communities.

A patented shape of electrode prevents the build-up of calcium scale which hitherto caused difficulty in the freshwater use of electrochlorinators.

### NEI

Northern Engineering Industries plc  
 NEI House, Regent Centre,  
 Newcastle upon Tyne, England NE3 3SR  
 Tel: Tyneside 091 284 3191 Telex: 57300 (NEI NCL G)

World Weather									
12th Dec					13th Dec				
Place	Temp	Wind	Cloud	Precip	Place	Temp	Wind	Cloud	Precip
Algeria	17	17	87	0	Algeria	17	17	87	0
Amman	11	11	82	0	Amman	11	11	82	0
Baghdad	13	13	56	0	Baghdad	13	13	56	0
Bombay	28	28	79	0	Bombay	28	28	79	0
Buenos Aires	13	13	56	0	Buenos Aires	13	13	56	0
Calcutta	28	28	79	0	Calcutta	28	28	79	0
Cairo	18	18	87	0	Cairo	18	18	87	0
Cardiff	13	13	56	0	Cardiff	13	13	56	0
Chennai	28	28	79	0	Chennai	28	28	79	0
Cebu	28	28	79	0	Cebu	28	28	79	0
Dakar	28	28	79	0	Dakar	28	28	79	0
Damascus	13	13	56	0	Damascus	13	13	56	0
Dhaka	28	28	79	0	Dhaka	28	28	79	0
Dubai	28	28	79	0	Dubai	28	28	79	0
Harbin	13	13	56	0	Harbin	13	13	56	0
Hong Kong	18	18	87	0	Hong Kong	18	18	87	0
London	13	13	56	0	London	13	13	56	0
Lyons	13	13	56	0	Lyons	13	13	56	0
Manila	28	28	79	0	Manila	28	28	79	0
Medan	28	28	79	0	Medan	28	28	79	0
Meerut	28	28	79	0	Meerut	28	28	79	0
Mumbai	28	28	79	0	Mumbai	28	28	79	0
Nairobi	28	28	79	0	Nairobi	28	28	79	0
Paris	13	13	56	0	Paris	13	13	56	0
Perth	28	28	79	0	Perth	28	28	79	0
Rangoon	28	28	79	0	Rangoon	28	28	79	0
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## FINANCIAL TIMES SURVEY

Province  
where  
contrasts  
abound

By Malcolm Rutherford

NORTHERN IRELAND is again in the forefront of world news. The Anglo-Irish Agreement signed by Mrs Margaret Thatcher, the British Prime Minister, and Dr Garret FitzGerald, her Irish counterpart, at Hillsborough Castle on November 15 will ensure that it stays that way for a while to come. So will the reactions of the Ulster Unionists, who have not exactly cheered it to the rooftops.

It is not the first Anglo-Irish agreement even in recent times. The Sunningdale Agreement in 1973 was potentially still more far-reaching. The former proposed a Council of Ireland, made up of representatives from north and south, which would have executive responsibilities.

There is nothing like that in the Hillsborough accord: only a commitment that the Republic of Ireland should have a consultative role in Ulster's affairs.

Sunningdale foundered for a variety of reasons. There was an early general election in Britain as Mr Edward Heath became engulfed in the miners' strike, a change of government and determined resistance by Ulster workers. Perhaps, also, it was too ambitious.

Since then there have been initiatives by successive British administrations aimed at the rather more modest target of first securing some reconciliation between the two communities in the north before going on to the Irish dimension. None of them came to much.

For example, the mainly Catholic Social and Democratic Labour Party refused to take up its seats in the Northern Ireland Assembly, established when the Secretary of State was Mr James Prior, though it did participate in the elections.

Hillsborough is something in between Sunningdale and the more limited efforts of the last decade or so. It entrenches

The Anglo-Irish Agreement signed by Mrs Thatcher and Dr Garret FitzGerald is the latest initiative to reduce the friction between the two communities in Ulster. So far strong reactions locally are typical of the strange contradictions of the social and economic arena of Ulster itself.

Anglo-Irish co-operation, but firmly acknowledges that Irish unification could come about only with the consent of the majority of the people in the north. It is based on the premise that if there can be reconciliation between the communities in Ulster, it should be possible to lessen the suspicions between north and south.

The international reaction so far has been favourable: from the US and from Europe. So has the reaction from the Republic of Ireland, where an opinion poll taken for the Irish Times a few days after

the agreement was signed showed that 59 per cent were in favour. There has also been strong cross-party support in Britain.

Only the Ulster Unionists have expressed strong opposition to the extent of calling the agreement a "sell-out," holding a massive—but peaceful—rally in Belfast on November 23, and resigning their seats in the House of Commons to fight by-elections in protest.

It remains to be seen, however, how far the opposition will go. Certainly there are reasons

for thinking that the Northern Ireland which successfully defied the Sunningdale Agreement by industrial action in 1974 is different from the Northern Ireland of today. Some of the external factors are different as well.

The violence in Ulster has now been going on for over 15 years. It is not confined to the Province. Mrs Thatcher was very nearly killed by it at the Conservative Party Conference in Brighton in 1984.

The Provisional IRA is even more of a threat to constitu-

tional government in Dublin than it is to Britain. People who oppose an Anglo-Irish agreement that might help to reduce the violence by removing some of its causes are unlikely to get much sympathy.

The violence has been contained in recent years, though nothing like beaten and it remains unpredictable. The number of deaths from terrorism in Northern Ireland reached a peak of 467 in 1972. In each of the last four years it has been down to double figures; the figure for 1985 was 49 as of

November 22.

Two facts are worth noting. The role of the British army in Ulster has been much diminished while that of the police has been much increased. That is part of a deliberate policy to provide a kind of security more acceptable to the ordinary people of both communities.

The police have recently won some applause from Catholics for their bipartisanship and readiness to stand up to Protestants.

The other fact about security

is that hardly anyone claims any more that the Republic is not pulling its weight. There is now a great deal of cross border security co-operation and there is likely to be more.

Mrs Thatcher is probably a factor in her own right. She did not have to seek agreement in an area where so many others have failed before her. Yet, having done it, there is a widespread belief that she will do her utmost to make it stick.

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## Northern Ireland 2

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## Progress on most fronts

Economy/  
Industry

HUGH CARNEGIE

THE CITY centre of Belfast in many ways offers a good guide to the state of Northern Ireland's economy.

At first sight, one notices well-stocked stores busy with shoppers, plenty of smart restaurants and fast-food outlets, late-model cars on the streets and thriving theatres and cinemas.

A second look, prompted perhaps by the sight of a slate-grey armoured police land rover prowling by, is less reassuring. A block of offices swathed in scaffolding while bomb damage is repaired. A few streets away stands a derelict terrace of houses, their windows bricked up. In the distance loom the vast gantry cranes of the Harland and Wolff shipyard.

These impressions are the outward signs of the economic story that the statistics tell: that consumer spending is buoyant, a lot of small businesses are thriving and many people are doing very nicely, thank you.

Behind this, the province still suffers from the violence it has endured for 16 years and from the recession in its traditional industries which together have necessitated huge public subsidies to keep the place afloat.

That is not to say that the outlook is all gloom, for there are many examples of genuine progress that have some businessmen in the province talking about a new spirit of enterprise inspiring the place. A heartening feature of this is the progress made in Northern Ireland's traditional industries after the grim recession years of the early 1980s.

In the engineering sector, the most recent PA Business Survey reported a 17 per cent increase in output in the year to the end of September 1985 over the previous same period and predicted that employment in the sector would hold steady over the next year.

Harland and Wolff has shed more than 1,000 jobs over the last two years and now enjoys a £200m order book. Company losses have fallen to £36m in 1984-85 from £46.5m in 1983-84 and Government subsidies have also fallen to 0.9 per cent of the Northern Ireland budget from

1.3 per cent.

Under a dynamic chairman, Mr John Parker, H and W has modernised what is Britain's last remaining integrated shipyard and has won orders for four refrigerated cargo ships for Blue Star, two 173,000 tonne bulk carriers for British Steel and a sophisticated SWOPS (single well oil production system) ship from BP.

Just across Belfast's dockland, the city's other famous state-owned company, the aircraft and missile manufacturer Short Brothers, which employs 6,600 people, announced a profit of £523,000 in November for the year to March 31, 1985, a turnaround from £2.4m losses in 1983-84 and its first profit since 1974. Its order book also looks healthy.

The textile industry has also got to grips with post-recession conditions.

Fashion trends and new techniques have revived the linen industry and the second season of revived commercial flax growing has been completed. The PA survey shows textiles output up 2 per cent with a 27 per cent increase in planned investment over the next 12 months despite a recent slight drop in orders.

Optimism in the textiles sector was also boosted by the announcement in November by Du Pont, the US chemicals-to-fibres concern, that it is to build a \$45m plant next to its existing facility at Maydown, outside Londonderry, to produce Kevlar, a non-woven fibre used in the marine, aerospace and car industries.

When the new plant comes into operation in two years time, it will employ 300 people in addition to the 1,350 already working at Du Pont's existing plant making Lycra.

## Clothing sector

In the clothing and footwear sector, where garment making is doing well, output is up 11 per cent and orders have risen by 15 per cent.

Northern Ireland's third major industrial sector, based on its agriculture, is food and drink. Here the Industrial Development Board (IDB) sees great potential for growth.

The emphasis is on developing more value added activity by encouraging food processing for direct selling to retailers where previously produce was mainly shipped unprocessed. So

## Public Expenditure in Northern Ireland 1984-85 to 1987-88

PROGRAMME:	1984-85 out-turn £m	1985-86 planned £m	% of 1985-86 total	% change in 1985-86 over 1984-85
Agriculture, fisheries, food, forestry	35	43	2.0	+ 5.7
Industry, energy, trade, employment	332	333	7.8	+ 0.3
Transport	95	99	2.3	+ 4.2
Housing	149	168	3.9	+12.6
Other environmental services	159	164	3.9	+ 3.1
Law, order and protective services	422	444	10.4	+ 5.2
Education, science, arts, libraries	589	616	14.5	+ 4.6
Health and personal social services	666	699	16.4	+ 5.0
Social security	1,204	1,274	29.9	+ 5.8
Other public services	26	22	0.5	- 4.3
Commerce services	33	43	1.0	+19.4
<b>PUBLIC CORPORATIONS FINANCE:</b>				
NI Housing Executive	198	191	4.5	- 3.5
NI Electricity Service	77	85	2.2	+23.4
NI Transport Holding Company	21	23	0.5	+ 9.5
<b>Total</b>	<b>4,059</b>	<b>4,254</b>	<b>100.0</b>	<b>+ 4.8</b>

Source: Northern Ireland Office.

## Growth of public expenditure

IN REAL TERMS (1983-84 prices)	Northern Ireland %	UK %
1980-81	- 2.4	+ 1.8
1981-82	+ 1.1	+ 2.7
1982-83	+ 2.2	+ 1.6
1983-84	+ 3.5	+ 1.7
1984-85	+ 3.5	+ 1.3
1985-86 planned	+ 0.3	- 1.7

Source: Government Expenditure Plans 1985-86 to 1987-88, published January 1985.

were 11 per cent up on the same period in 1984, approaching record levels.

A significant proportion of this consumer affluence—which is boosted by shoppers from the Republic—can be attributed to the size of the public sector, which employs 208,000 of the 465,000 people in work in the province.

The other side of the coin is that output growth potential is limited because of the small size of the manufacturing sector, which employs around 100,000 compared with 150,000 seven years ago. Manufacturing output, according to the PA survey, grew 7 per cent in the year to the end of September, the same as in the same period the previous year. But it still lagged behind 1980 levels.

To expand the manufacturing base, Northern Ireland will need at least to increase inward investment and the range of new indigenous business.

On the latter, the Confederation of British Industry (CBI) says the problem is not to find the money to fund projects, but to find viable projects.

The inescapable conclusion is that Northern Ireland still depends on the substantial annual subvention from Whitehall. The burden is made heavier by the province's high unemployment.

The Crosshaven review puts the seasonally adjusted figure at 122,000, more than 20 per cent of the workforce, and predicts a rise of about 2,000 by this time next year. It also predicts the numbers in employment will rise by only 2,000 in the same period.

Even the longest term outlook on jobs is grim as employment growth is not expected to outstrip the growth in working population up to the end of the century.

Industrialists say that economic success must no longer be measured in terms of jobs created, the criterion by which LDU and the IDB tend to be judged.

The point is taken up by Sir Desmond Limerick, the IDB chairman, when he says that the Government development agencies cannot go on indefinitely as they now function. Radical alternatives to solving unemployment must be found, he says. In Northern Ireland, that is complicated by the political situation.

"As long as there is a lack of proper political stability there will be a restraint on development in the economy," said Sir Desmond.

The Anglo-Irish agreement is intended to be a step in that direction. It is too early to say what its economic effects might be, but it has brought the likelihood of at least several hundred million dollars in aid for all Ireland from public and private sources in the US, which would be a welcome boost whether it is spent on infrastructure or industry, or a combination of both.

## Province of contrasts

CONTINUED FROM PAGE ONE

That is accepted—not without apprehension—even by some Unionists.

It is also true that people had become accustomed to nothing very much being done about Ulster at the highest level. When the British and Irish Prime Ministers get together, backed by their top civil servants and the clear support of the outside world, it is time to take notice.

Some of the extreme Unionists may be manoeuvring themselves into a corner. There is not much point in their proclaiming their Britishness if the British have decided that it is the Unionists who are at fault.

In the background, however, something more intangible is happening—more to do with the strange nature of Northern Ireland's economic and social development. It is possible to depict a horror story and a success story at the same time. Both would be true. For Ulster today is full of apparent contradictions.

On the one hand, there are the unemployment figures of over 20 per cent, rising to around 50 per cent in Strabane, the strange failings of companies like De Lorean and Lear Fan, the bombed-out buildings as a reminder that while most people may have little exposure to violence, it is still there.

On the other hand, that is not the whole or even the majority of Ulster. The shoppers who come up from the Republic in increasing numbers at weekends are evidence of that. They say that the shops in the north are better and cheaper than in the south, and even that the sales assistants are nicer than in Dublin. Some of them are visiting Northern Ireland for the first time.

Much of Belfast when you walk round it has the air of being rather more affluent than the strategists suggest it ought

to be. It is not just the shops, the theatres, the restaurants and the leisure centres. Many old buildings have been restored, and well restored at that.

The infrastructure is good. The roads around Belfast are excellent and not overcrowded. The new housing developments, of which there are many, are neat and attractive; far better than some of those in mainland Britain.

The main reason is the level of public expenditure over the years. Mr Roy Mason, really got it under way when he was Secretary of State in the late 1970s. The policy is now showing its effects. Northern Ireland today has nearly everything it needs for a country of its size: except jobs and security.

Ulster's standard of living is as high as it is partly because of British subsidies.

It is estimated that Britain made a total subsidy in 1983-84 of around £1.4bn, thus financing over one third of total government expenditure in the province. The economic report of the New Ireland Forum claims that the subsidy raised disposable income by 25 to 30 per cent. Nobody is suggesting that it should be cut, though Mr Prior when he was Secretary of State did draw attention to the dangers of an economy becoming too heavily dependent on public expenditure.

The political point that must be clear to Ulster Unionists—and if it is not clear, it could be made clear—is that when they talk in their extreme moments about going it alone, Ulster has a great deal to lose.

The corollary, of course, is also true. If there can be peace and a political settlement, much of the prosperity is already there on which to build. Northern Ireland could be a well-balanced and flourishing economy. It has the skills. It needs only a rest from violence and intransigent politics.

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## Early days yet for testing effect of pact

### Politics

MALCOLM RUTHERFORD

POLITICS IN Northern Ireland are fundamentally sectarian. No political attempt to end the essentially religious divide between Catholic and Protestant parties has yet been greatly successful, though there have been occasional flickers.

There is an Alliance Party (nothing to do with the SDP-Liberal Alliance in Britain) which crosses the sects and which once looked like a promising development. Yet it has never won more than 14 per cent of the Ulster vote. The description is no less stark if you drop the religious connotations and talk simply about unionists and nationalists. The Protestants tend to be unionists, the Catholics tend to be nationalists and the unionists have a majority of a good three to one. There is not very much in between and the ice is not yet cracking.

British policy over the last 15 years or so has been aimed at trying to end, or at least to lessen, this sectarian division as it comes out in politics. That applies whether the British Government has been taking the ambitious approach—such as in the Hillsborough and Sunningdale agreements, or the more modest approach of seeking to establish normal party politics in the north.

All sorts of methods have been tried or suggested: for example, a cross-party committee system allowing the minority community a say in the affairs of an Assembly dominated by the majority community. None of them has really worked.

The present Northern Ireland Assembly, established in 1982 when Mr James Prior was Secretary of State in order to agree on a programme of rolling devolution of powers back to the province, requires a 70 per cent majority for a major resolution to be passed.

The mainly Catholic Social and Democratic Labour Party (SDLP), however, declined to

take up its seats, even though it won 18.8 per cent of the votes in the Assembly election and might well have had a blocking minority along with some of the minority parties. The Assembly has been reduced to a talking shop between unionists and the Alliance because of the refusal of the nationalist parties to participate.

An important part of the Hillsborough agreement, from the British and Irish point of view, is that the SDLP is now ready to take up its place in the Assembly, or some variant of it, because the agreement accepts the Irish dimension to the problems of Ulster.

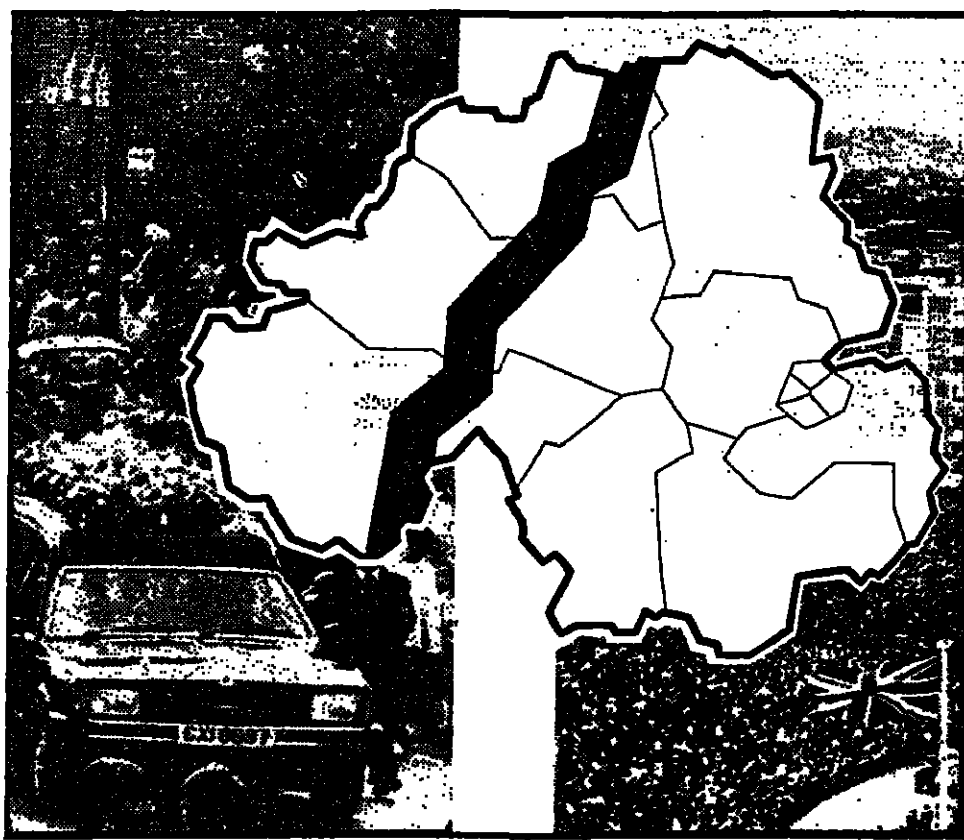
Mr John Hume, the SDLP leader, has said that quite firmly in the House of Commons and has also stood up to Mr Charles Haughey, the leader of the Fianna Fail opposition in the Irish Parliament, whose first instinct was to oppose the agreement outright as being insufficiently nationalist; indeed as a sell-out to the British.

### Walked out

Yet just as the SDLP was prepared to join in a dialogue with the unionists in the Assembly, the unionist parties have walked out. They have walked out of Westminster, too, forcing by-elections in protest at the Anglo-Irish agreement. Such is the nature of Northern Ireland politics: when one side wants to talk the other does not or at least not for long.

Ulster now elects 17 MPs to the House of Commons out of a total of 650. Of those, 15 are unionists of one kind or another, including Mr Enoch Powell, the former Tory who now sits for Down South. The two others are Mr John Hume of the SDLP and Mr Gerry Adams of the Provisional Sinn Féin, the political wing of the IRA. Mr Adams has never taken his seat. (One interesting thought is how the Ulster Members would behave if there were ever to be a hung Parliament.)

The Unionist MPs have not gone down well in the present House of Commons. They have appeared to rant, not realising—or perhaps because they did



No sign of the ice cracking between Catholics, seen above at the funeral of a Sinn Féin supporter, and Protestants, seen at the mass rally in Belfast protesting against the Anglo-Irish accord

realise—that Northern Ireland is nowadays hardly a primary interest of the great majority of British Members.

They did not seem to notice that British sympathy was slipping away from unionism towards concern about the minority, an acceptance of Dublin's interest in the matter, a respect for Dr Garret Fitzgerald, the Irish Prime Minister, and a general desire to end the violence and sectarianism.

Until recently the principal culprit was seen as Mr Ian Paisley, the leader of the Democratic Unionist Party (DUP). Mr James Moynihan, the leader of the Official Unionists, was regarded more respectfully as an essentially moderate man who would behave in a conciliatory way if he were not influenced by Mr Powell (also an Official Unionist) and the split in the unionist parties.

All that has now changed. Since the Hillsborough agreement, the unionist parties have come together again. Mr Moynihan stood alongside Mr Paisley at the unionist rally in Belfast on November 23 where, in front of nearly 100,000 people, all unionist MPs except Mr Powell, who was not present, pledged themselves to resign their seats and fight by-elections.

Almost immediately after the Sunningdale agreement, the unionist parties reunited, at least tactically. They formed the United Ulster Unionist

Council which succeeded through industrial action in killing the agreement. But there was no accord on where to go on from there. The unionists can destroy an agreement, but they have not yet made one. There has been a similar, if so far more restrained, reaction after Hillsborough. Industrial action is not threatened, only passive resistance and the by-elections. Some unionist leaders say that they will come up with their own ideas in the meantime. That remains to be seen. One of the major problems of the unionists is that they lack an accepted leader, capable of taking them out of the dead end.

The nationalist movement is not a monolith either. Mr Hume has staked his reputation on the success of the Hillsborough agreement. If it does not lead to a dialogue between unionists and nationalists, he will probably be in trouble with his own party. The SDLP is also under some threat from the Provisional Sinn Féin in the competition for nationalist support. These are early days and everyone is still assessing the Anglo-Irish agreement. Yet the realignment in Northern Ireland politics remains elusive. Britain's fall-back position is direct rule.

### Fear of backlash

Probably the most significant long-term effect of what he did was to make it more difficult for the Official Unionists to look for a compromise with the minority community and with the British Government. The Official Unionists have a residual fear of a Paisley backlash.

Almost immediately after the Sunningdale agreement, the unionist parties reunited, at least tactically. They formed the United Ulster Unionist

## Ready for the fray

EVEN IN the space of 12 months, a noticeable change has come over the Northern Ireland banks. A year ago, the consequences of financial deregulation and the end of the banks' own cartel were recognised, but spent only in vague terms.

Now the banks are ready for the fray, or so they believe. New products are available, or on the way, markets are being targeted, "delivery systems" are the watchword.

The process may have been speeded up by the threatened strike by bank staff which was narrowly averted earlier in the year. It would have been the first bank strike in Northern Ireland for 15 years, and there was considerable alarm among the banks and their customers.

The building societies made the most of their opportunity and many people became aware, for the first time, of the services the societies could offer. The effects of that may be long-lasting, but any lingering complacency among the province's bankers about the new, tougher era will have been rudely dispelled.

"The next three or four years will stand the business on its head," says Northern Bank, the largest of the big five retail banks, an itself a subsidiary of Midland Bank. The dispute itself showed that some attitudes have still to change.

The pay element in the dispute was settled but the attempt to get the Irish Bank Officials' Association (IBOA) to agree to extended opening at lunchtime and weekends has yet to be resolved. According to reports, the best that has been agreed is lunchtime opening in selected branches for a test period of six months.

There are other restrictions which the Irish banks have yet to overcome and which do not apply to the competitors, or to banks in Britain. The IBOA will not agree, for example, to the banks selling insurance-linked products, an area which is seen as a key factor by the marketing departments.

The same restrictions do not apply to the TSB, because of its different history, and it continued to enjoy its freedoms as it developed into a full-scale competitor of the four traditional clearers, Northern, Ulster (a NatWest subsidiary), Allied Irish and Bank of Ireland.

Ironically, extended opening may not be as important now as it would have been in the past. TSB has noticed a fall in busi-

ness at lunchtime as more people use automatic cash dispensers. Northern Ireland's relatively young population is given as one reason why adaptation to the new technology has reached the UK average in just three years.

TSB is likely to benefit more from its other freedoms. It now employs 13 of its representatives to go out and sell services to likely customers. They offer financial advice and packages to people with retirement income or redundancy payments.

The TSB is well-established in Northern Ireland, with 57 branches and over 100,000 cheque accounts in a population of 1.5m. It has hired expertise from other institutions to develop corporate lending and has moved heavily into the home loans market, with £50m outstanding in mortgages.

### Banking

PATRICK DONOVAN

Flotation would have made little difference in such circumstances, but bank officers fear the flotation delay may cause loss of momentum in the publicity surrounding flotation. Outsiders think TSB's main problem will be to develop sufficiently deep-rooted expertise on the corporate side, and to win business from the other banks in a largely static market.

The limited growth in the market means the competition is mainly in marketing and services. All the banks concentrate on the youth market—which is a growth area.

Teenagers are wooed with discount cards, record tokens and disco tickets, there are special packages for school leavers and all the banks prowling the corridors of the students' unions. Northern even supports the running of in-house "banks" in local schools.

The banks vary in their approach to the home loans market, although all are expanding their business in this area. Some confine themselves to their customer base, while others vigorously pursue business. Demand is firm, with the latest survey showing prices rising by up to 15 per cent in the past year.

General conditions in Northern Ireland remain favourable. Consumer spending is still buoyant, even if not growing at the rates of recent years. This is reflected in the boom in Belfast city-centre property and the investment programmes by major multiples in their Belfast stores.

Demand for personal credit and hire purchase is still rising but some bankers claim to have detected a flattening of the growth curve and believe they may be near the ceiling on consumer demand.

Local industry is showing some increases in output and profitability, especially in traditional textiles. Banks report an increase in capital spending, although this is partly because investment plans were brought forward before the Government reduced the levels of capital grants.

Much of the investment may be "defensive," to enable businesses to keep abreast of foreign competition, rather than for expansion which might bring down the 21 per cent unemployment rate.

Bankers in the small local merchant bank sector have noticed that firms, like their counterparts elsewhere, are more conscious of money management and more reluctant to turn to bank borrowings for finance. Even the modest increase in industrial performance will not mean commensurate growth for the corporate lending departments. All the banks emphasise the importance of the small business sector as one of the few sources of demand for finance and as the best long-term hope for the local economy in the absence of substantial foreign investment.

The banks have specialised departments to cater for the small business and promotional efforts. They include Ulster Bank's small business package and quarterly digest and Northern's planned seminars on exporting for small firms.

The recession and continuing unemployment had created a new spirit of enterprise, especially among the young, bankers believe. This is reflected in the numbers of business start-ups. Statistics suggest the failure level may not be as high as some feared, and any further reduction in the casualties could enable small firms to make a growing impact on the Ulster economy. The banks are keen to play their role in this process.

**A**cquiring your own company through a management 'buy-out' or 'start-up' is one of the most potentially rewarding challenges which a businessman can face, yet the process is difficult and complex. Decisions taken can have critical longterm implications. It involves full commitment and at times personal risk, and is not an area that should be ventured into without the advice of experienced, independent advisors who not only can help to initiate the buy-out, but will continue their support in the early difficult years of the project.

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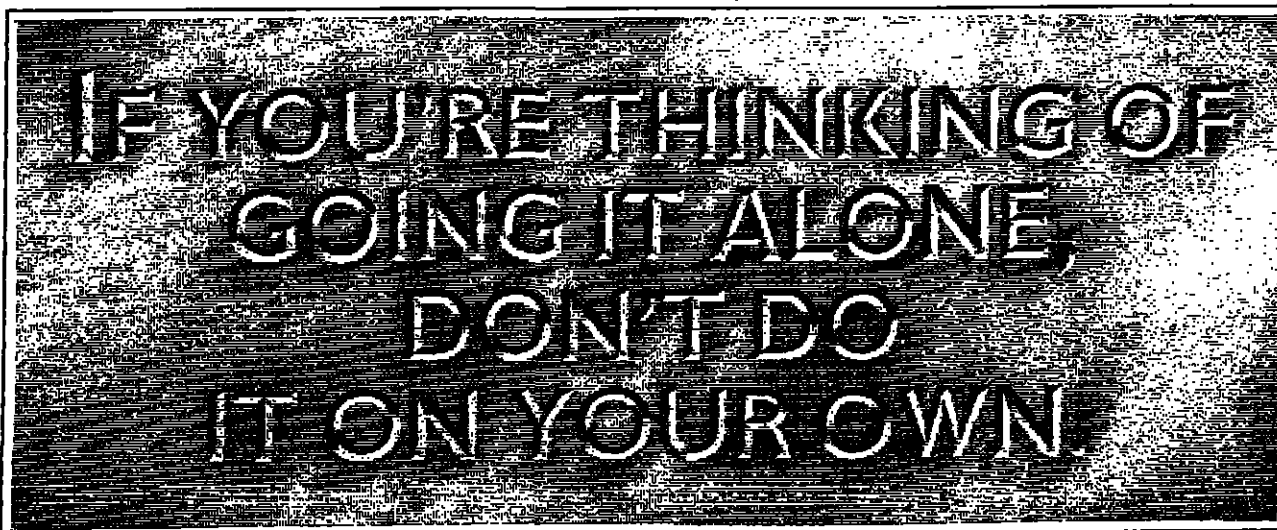
In the case of Belleek Pottery, for instance, following a rescue by the Industrial Development Board, AIIB acquired 30% of the Company by participating in a management buy-out.

Belleek Pottery was founded 125 years ago in Belleek, Co. Fermanagh. The Company is now an international house-hold name for fine parian china, the result of the

care, dedication, artistry and skill which goes into the production of each individually handcrafted piece.

Some designs are those introduced over 100 years ago and the process of production is still carried out by hand.

The Company employs 142 people at Belleek and 12 people at its New Jersey sales subsidiary in the United States. Annual turnover is approximately £4 million, mostly in the United States and Ireland. Distribution agents have recently been appointed for the Canadian, British, Continental European and Scandinavian markets.



AIIB worked with management to structure the necessary financial package. Since the management buy-out, Belleek Pottery has achieved its targets and continues to grow.

The management are demonstrating the high level of personal commitment which is necessary for any successful business, while at the same time, AIIB are involved at board level in the development of corporate strategy.

In addition, AIIB Venture Capital has been involved in four start-ups in the province:

1. In Londonderry, AIIB has a minority share in a new manufacturing company,

Oberon Enterprises Limited, making disposable nappies.

2. Another start-up company located in Newry has, since June, been producing a new smokeless fuel "Thermacite".

3. Tirnanog Ltd., has been established in Hillsborough, Co. Down, to design and make fine jewellery, incorporating precious gems set in 18 carat gold, primarily for the export market.

4. AIIB has invested in Aisling Film Productions Limited in association with the well-known film producers, Marie Jackson and Bill Miskelly. Its first production, "The End of the World Man" is a children's

comedy film with a conservationist theme. It was shot on location in Belfast this year and had its first showing at the London Film Festival.

All of the above investments have been made in association with local private business interests.

Mr Jim O'Neill of AIIB describes the range of services which they can offer.

"AIIB Venture Capital can offer a variety

of financial packages for developing businesses. Either 'start-up' or 'buy-out'. What we look for is strong management and good growth potential. We can provide interest-free capital for the development of the business or can design a total package incorporating the full range of financial services offered by the AIB Group. We can allow a shareholder in a private company the opportunity to realise part or all of his investment for any number of personal reasons."

"We have extensive international links mainly through the AIB Group presence in Britain, mainland Europe, the US and the Far East, which can be of immeasurable assistance to developing companies. We can also syndicate investments with other venture capital funds both at home and overseas when appropriate."

"Where majority shareholders aim to achieve a USM flotation for the business, AIIB can work closely with the management to achieve this end. As a minority equity partner with a depth of experience in share placings, AIIB will be in a unique position to guide the company towards a successful stock market entry."

"AIIB is the most experienced merchant bank in this area in the province and through its highly skilled people, this experience can be made available to new and developing companies."

Jim O'Neill sees AIIB Venture Capital as a partner to these companies rather than a bank—yet with all of the skills and services a major banking group can offer.

"Our objective is to support entrepreneurs so that they can get on with what they do best—managing the business."



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## Packages tailored to help companies

DESPITE GENEROUS packages of aid available to industry in Northern Ireland, Mr Perry McDonnell, executive director of the Industrial Development Board, says that financial assistance is not the prime factor in attracting newcomers or, as is happening increasingly, encouraging those already there to expand.

"What companies want is to know that they can come and be successful by standing on their own two feet," he says. "The priority over and over again is to get the basics right, to make sure the market is there, that people can produce, that the technological infrastructure is right, that they can attract sufficient or risky companies looking for subsidies and featherbedding."

Mr McDonnell believes that aid is used rather more subtly than it was a straight inducement, for that might merely attract inefficient or risky companies looking for subsidies and featherbedding.

Instead, aid packages are tailored to help companies move rapidly into profitable trading. It is start-up costs which they try to reduce, so that companies will not have to call on much cash from parents overseas.

"Financial assistance is designed to help companies get off the ground quickly without impact on the parent's finances. Once they start, it's them against the rest of the world. There is no way we are in business to help projects that are not going to be viable," he says.

The same goes for the other major IDB role, that of saving jobs. Mr McDonnell says there is no point in pouring in money to prop up businesses that cannot survive against fair competition. "What we will do, however, is to help people find new markets or restructure their finances and technology. That's very different," he adds.

The lessons of the De Lorean fiasco and the over-risky technological leapfrog involved in the Lear Fan project seem to have gone home hard at the IDB. There is an obvious and deep realisation that the quality of jobs created is probably more important than their numbers.

Jobs that are going to last are those in good markets where the processes involved use high technology and demand high productivity to maximise added value. Sectors

where the IDB is pushing hard are food processing, medical technology, information and manufacturing technology.

Automation and computer-aided design and manufacture are priority targets thought capable of building upon, not least because of the supporting academic infrastructure in both Queen's University and the University of Ulster.

The other important factors, Mr McDonnell believes, are labour-related. He says that the workforce is adaptable and willing to learn new skills. Moreover, unit labour costs are lower than in France, Britain, Japan, Belgium, Sweden, Holland, West Germany, Switzerland, Canada and the US, according to UN, German and American sources which the IDB uses to great effect.

In sales and marketing parlance, such are the benefits that

though with a ceiling of £241,000.

Market research also comes in for generous help—half the travel costs of an in-house researcher plus £144 a week towards overheads, as well as half the cost of buying published results, conducting special studies or engaging outside consultants.

In addition, four-fifths of the corporation tax on profits generated by new projects may be given back in grant form for up to 20 years. On finance, loans for working capital and venture capital for equity participation are available, according to the circumstances.

In most respects, Northern Ireland scores heavily when compared with development areas receiving the highest levels of assistance in Britain—an interesting situation when compared with, say, Merseyside, which has a similar population (1.5m) and a similar unemployment rate (21 per cent), though more unemployed (about 144,000 against Northern Ireland's 121,000).

"Our aim is to change the view of the first-time visitor," Mr McDonnell says, which is what the IDB did most spectacularly this year in whisking AVX, the US maker of ceramic capacitors, from under the noses of industrial developers in the republic when the inward investor was on the point of signing.

Most of the board had to visit the province to be convinced, but they eventually approved a project that will create almost 1,000 jobs. Meanwhile, many of the companies that have moved in have expanded, including Hughes Tools, Du Pont, General Motors and Ford. Ford's workers are consistently near the top of the company's European productivity league table.

The IDB spends about £134m a year and usually expects one-third of total costs to come from the company involved, and one-third from the state. The rest is made up of the rest with a tailor-made aid package to suit the company's special needs. In practice, it usually puts up nearer 40 per cent.

The key, Mr McDonnell says, is the discretion to be totally flexible. It is not working, with inward investors doubling from five to 10 in the last year. 5,267 new jobs created in 1984-85 and 5,750 predicted for 1985-86. In a company last year helped "renew and maintain" about 15,000 jobs.

Other grants can be used to reduce interest payments, or train workers, or attract top quality management, or relocate key workers. Research and development costs can be subsidised by up to 50 per cent,

### Industrial Research

IAN HAMILTON FAZEY

DR MARIE PATTON is one of the most unusual university industrial liaison officers in the UK. It is not only that she is a woman in what is nearly everywhere else a man's job but that her budget from the newly reorganised University of Ulster is zero.

This forces her little unit to adopt an entrepreneurial attitude. It has geared itself to its market place, acting as a consultancy broker for industrial and commercial problems. It charges realistic fees, turns over more than £120,000 a year, and makes a profit.

Since it is supposed to be non-profit-making the surplus has gone into expanding the unit to cope with more work. Customers do not even have to be sought. "We have now done work for every major company in Northern Ireland. Once they discover what we can do they keep coming back for more. We seem to be working flat out and harder all the time," she says.

### Newest university

Although its constituent colleges were well established, the University of Ulster is really the UK's newest. It was reformed this year by merging Ulster Polytechnic with the existing University of Ulster (both were founded in 1968). It has campuses at Jordanstown, Coleraine, Londonderry (at McGee University College, formerly a branch of the Irish Republic's University of Ireland) and Belfast (at the former College of Art and Design).

In Northern Ireland it shares a higher education role long dominated by the Queen's University of Belfast (founded 1845). Queen's has a novel approach to industrial liaison too, of which more later.

Dr Patton, a biologist who became a computing expert, says: "Many people see us as more approachable, more down to earth. Partly it arises from a long tradition of having large numbers of part-time students from industry."

The links that arise from this tend to be with middle rather than senior managers, and many of the problems are day-to-day firefighting. There was the company that became

alarmed at the sudden appearance of white foam around its effluent pipes—turned out to be harmless. Worrying brown deposits on a tourist beach proved to be parts of sponges that had been broken up in a storm.

On company needed urgent translation of a telex from customs officers on a foreign frontier in order to free a delayed export order. Little jobs like this, however, are not always charged for. Dr Patton thinks the goodwill earned brings bigger business.

A lot of this has been concerned with computer consultancy for small or medium sized companies. In one case a company achieved payback on an expensive installation in only three months. It was back almost immediately for more help.

Computer-aided design and manufacture is another important area, with the university having developed its own electronic network to link engineering, electronics and design departments.

Dr Patton says: "Because we have to fend for ourselves we have a lot in common with industry. We are not here to find research projects for academics. We go to them with problems from industry for them to solve."

An academic's time is costed at a comparable rate to the private sector. The costs of materials or equipment is added. The industrial unit marks up sufficiently to cover its own costs, make a small contribution to overheads, and ensure that the university department involved gets 10 per cent.

Resultant prices have proved competitive, which may well surprise many members of UDL, the university directors of industrial liaison, who told Dr Patton at a meeting of their association that self-financing was an unrealistic aim.

Dr Patton's opposite number at Queen's is Mr Des Blair, who runs QUBIS—Queen's University Business and Industrial Services. This is much more up-market than the university of Ulster Service and is closer to longer-term research and development.

QUBIS does, however, tap into four long-standing industrial units whose staff are free of teaching commitments and can do consultancy work for full-time periods if required. These cover automation, computers, materials testing and information or communication technology.

Queen's has 100 departments and 800 academic staff. Mr Blair, an electronics engineer

with consultancy and general management experience, joined as industrial and commercial liaison officer in 1983 to bring some order into a formerly laissez-faire approach to external relations with business.

QUBIS was formed the next year. Its striking logo was designed by J. Walter Thompson, the advertising agency.

Where Queen's has developed a novel approach is in the formation of a company, QUBIS Ltd, supervised by an impressively strong board of academics and senior industrialists from the private sector.

### Private funds

This has an authorised share capital of £500,000, to be called on when required. The money has come from the university's private funds and will enable QUBIS Ltd to function on a venture capital basis, taking equity in joint ventures with private sector companies.

The first joint venture is with W. & G. Baird, a printer, to form a company called Textflow. This will exploit computer software developed over several years by Prof Jack Smith and Greystone Press to turn output from word-processors and computers directly into camera-ready copy for printing, eliminating retyping by human typesetters.

Textflow will take material on disk, or downloaded via the telephone, and convert it into the language of electronic typesetting. It can then be trans-

mitted, either physically or by phone, to an appropriate typesetter at a printing plant anywhere in the world.

Apart from allowing "single-keying" for all printing, it will mean that typesetting equipment will not necessarily have to have dedicated word-processors or special interfaces or software to drive it. The printing of very small batches is expected to prove more economical than photocopying.

QUBIS has also signed an agreement with ICL to collaborate on the development of new software for commercial and industrial applications. Queen's will provide know-how, staff and premises while ICL will second staff and make hardware and other software available. The agreement is likely to be worth more than £500,000.

Other QUBIS projects are expected to be in the fields of lasers, optics, medical engineering, biotechnology, information technology and corrosion. Proposals are being evaluated now. Meanwhile, complementary to the work of QUBIS and the University of Ulster industrial unit, is the industrial science division of the Department of Economic Development. This provides technical advice and information and a general practitioner's laboratory service. It also has a library with access to European and North American databases. It also carries out technical evaluations for Government departments assisting small businesses.

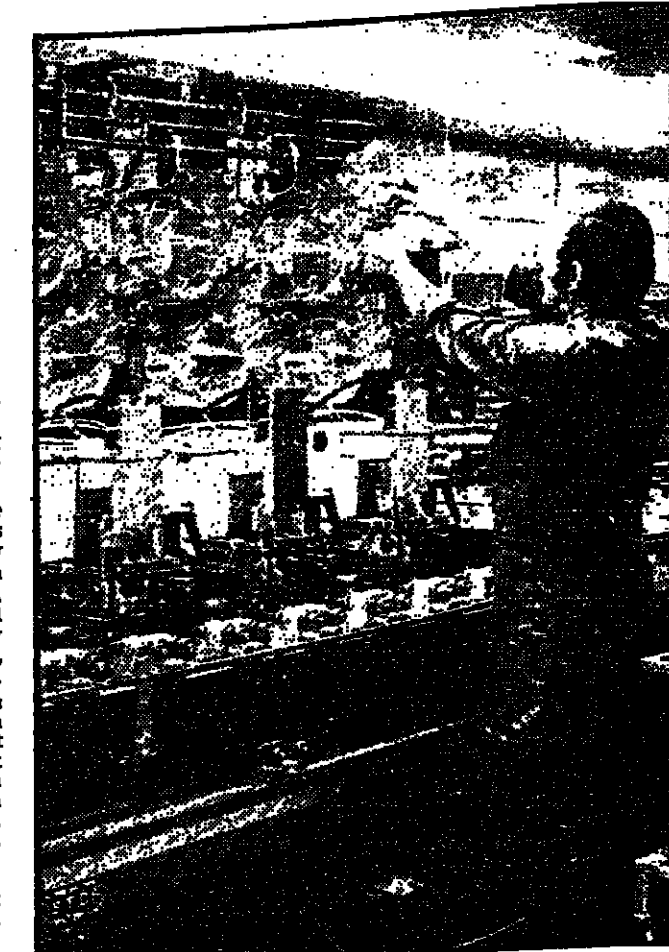
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## Higher level of industrial grants

NORTHERN IRELAND has for years, enjoyed a much higher level of grants than any other part of the UK. The differential may not be as great now as it was three years ago but there are still important financial advantages to be gained from operating in the six counties.

The following are some of the main differences:

● Standard grants for buildings and machinery: 20 per cent available in Northern Ireland compared with 15 per cent in British development areas.

● Selective grants for buildings or machinery: Up to 50 per cent as an alternative to standard grants whereas additional assistance in the British regions is discretionary.

● Interest relief grants: These may be available to reduce the interest on loans from non-governmental sources; they are not available elsewhere.

● Training grants: For em-

ployees under 18, £35 a week and for those over 18, £52 a week compared with 40 per cent of basic wages and training costs in Britain.

● Management incentive grants: Available to attract top quality management; not available elsewhere.

● Rents: Grants of up to 100 per cent of rental costs for up to five years are available; elsewhere, new projects in some assisted areas may qualify for an initial rent-free period.

● Industrial de-rating: 100 per cent; not available in England and Wales but 50 per cent in Scotland, though enterprise zones are an exception.

In addition to these main differences there are also research and development grants with a limit of £250,000, compared with up to 331 per cent up to £25,000 elsewhere.

Anthony Moreton

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# Ironing out the creases

## Linen Industry

ANTHONY MORETON

THE LINEN industry is on the crest of a wave. It has invested some £35m over the past two or three years, labour has been stabilised at around 6,400 workers, over half of production is sold outside the UK and of the 1,706 looms in the province 1,087 are shuttle and 619 rapier—in other words they are all modern and efficient.

It was not always like this. Until the mid-1950s the linen manufacturers lived on the fat and it was not surprising that it collapsed in the early 1970s under the pressure of outside competition and the first oil-induced recession.

One company in the province reports that it put in no new looms between 1912 and 1967; others admit that their marketing was almost non-existent, expecting customers to buy what was produced rather than make what the market wanted. Fashion played little part in the industry.

Consequently, between 1970 and 1982 mills closed and those that remained faced increasingly severe competition from Italian and French companies in Western Europe, some of the East European countries in the mass-market sector and many Far Eastern linen pro-

ducers at the bottom of the scale.

Both the recovery and the pace with which it has taken hold were stimulated by the Government. In 1982 the Industrial Development Board (IDB) created a linen and allied textile working party to examine problems, suggest ways of overcoming them and identify where the best prospects for strengthening the industry lay.

The report of the working party, published a year later, helped focus attention on the linen business. Essentially, it postulated that the industry had growth prospects, despite many foreign countries having captured part of what a lot of Ulstermen considered to be their natural territory. To achieve growth a task force was created to review the linen industry.

While this task force comprised a majority of those engaged in the industry—from both sides—there were sufficient development board members to have pushed it along should impetus have flagged.

Four IDB members were there to maintain continuity, though as the industry members included Mr Peter Larmor, chairman of Ulster Weaving and Mr Ralph Spence, of Spence Bryson, back-sliding was hardly likely.

The report was necessary because by the early 1980s the industry was in a sorry state.

The amount of flax used had dropped from 19,400 tonnes in 1988 to 4,573 by 1983.

In 1959 the industry employed 44,800 people, a figure that had fallen to just under 6,000 last year. With the recovery of the past two years, there has been a slight rise to a current level of around 6,400.

Not all the industry's contraction was due to economic factors. Although falling demand contributed most to the decline the installation of new machinery as the industry became more efficient also trimmed the workforce.

The number of companies in the business also shrank. Between 1979 and 1982, alone, three spinners, seven weavers and one finisher closed.

However, despite the problems facing the industry there was some investment throughout the 1980s. "We continued to invest all the time," says Mr James Herdman, chairman of Herdman's, a leading spinner at Sion Mills, just outside Strabane. Not everyone could say the same but Herdman's is now reaping the dividends as the company is taking on workers.

In 1981 the amount invested by the industry, according to the IDB, was £2.1m. This had increased to £3.2m by 1982, went up to £5.4m the following year and to £7.5m last year.

Spending plans announced or likely to be announced indicate there will be a very large rise this year to some £12m-£15m,

indicating enormous confidence in the future of the industry.

That confidence has been based not just on new machinery but a fresh acceptance of what world buyers want from linen.

Stimulated by the Italians, Ulster manufacturers have realised that linen is about marketing and fashion. It is a high-value-added, high-fashion fabric and it is on this area which the industry has concentrated.

### Undercutting

There are plenty of low-valued-added linen products, some in the industrial field, such as tents and tarpaulins, some in household textiles, such as tea towels, and some in associated areas, such as handkerchiefs and embroidery. Far Eastern and East European producers can make these goods at prices which undercut most of those obtainable in much of the Northern Ireland industry.

Therefore Northern Ireland has turned increasingly to the top end of the business, competing on fashion, style, and marketing.

"There is no doubt that the industry had become too machine oriented," Mr Peter Larmor, who is also head of the central council of the Irish Linen Industry, admits. "We simply did not take enough account of what the market wanted."

"But we have learnt our lesson. We are improving our marketing all the time."

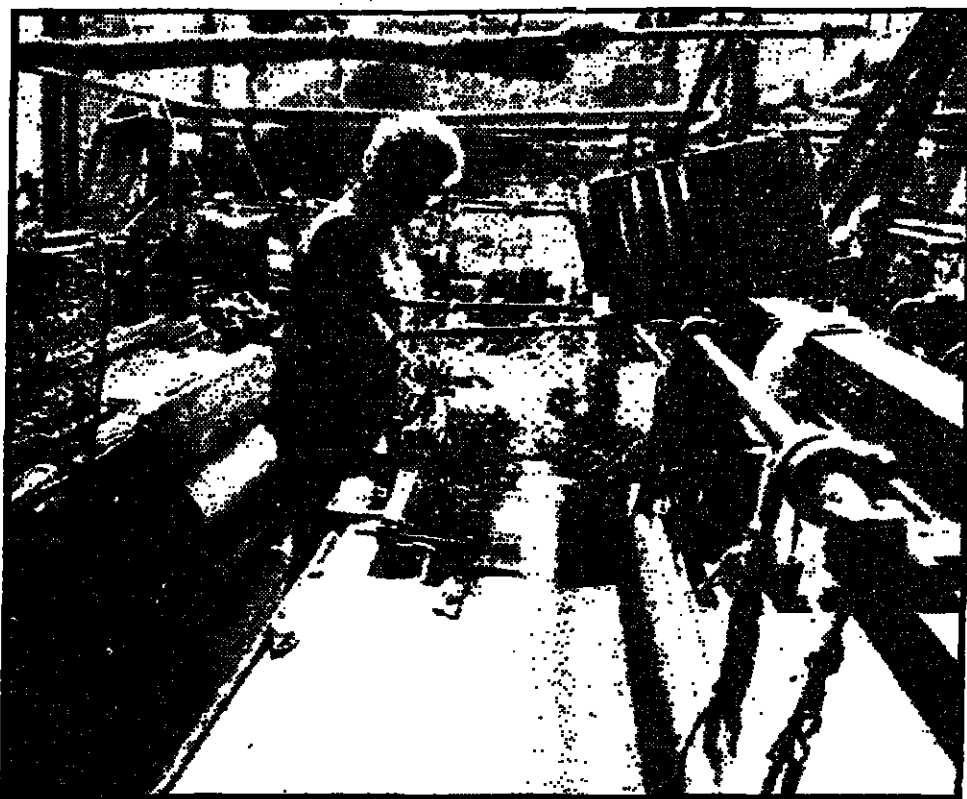
One small example of this is to be found at Spence Bryson where a range of fancy yarns is being produced. Not all will find their way through to the market but those that do will take market consciousness of linen a long way down the road from the usual conception of the material being a largely biscuit-coloured.

Concentration on the top end of the market enables the industry to overcome one of the greatest difficulties it has in the apparel field—overcoming resistance to creasing.

Linen certainly creases; some people in the industry admit that it creases badly. At the bottom end of the price scale this is a serious drawback. A young girl buying a jacket or dress in the £19.99 to £29.99 price bracket from a chain store wants the easy-care attributes found in man-made fibres. She does not want a garment that creases.

At the top end of the scale, however, where price is less important, the buyer is sufficiently self-confident to be able to carry off the fact that a garment is creased, secure in the knowledge that anyone in her social circle who sees the creases will automatically know the garment to be linen and, therefore, expensive.

Not everyone believes that the connection between linen



Traditional weaving in Belfast

and creasing has to be accepted for ever. Work is going on at the Linen Industry Research Association at Lambeg, just outside Belfast, to find ways of reducing the fabric's propensity to crease.

The scientists and technologists there have found a way of coating the fibre with a resin that will reduce creasing. But

one side effect is that the resulting fabric becomes more brittle than is acceptable. "I'm afraid we just have to accept for the foreseeable future," says one manufacturer, "that there is no real answer to this problem."

Despite the problem the Northern Ireland linen industry has a good outlook in many areas, especially in spinning, apparel fabrics and fast growing itself. Its future in household textiles is less encouraging while in furnishings, industrial uses and treated fibres prospects look bright. That the industry has recognised these opportunities is self-evident from the amount of investment being made.



Linen now has a high profile in the fashion world.

PROFILE: Lambeg Industrial Research Association

## Expansion moves into new fields

WHEN the Lambeg Industrial Research Association (LIRA) was set up in 1919 its central role was seen as assisting technical change in the linen industry. This role has changed considerably over the years and, while technical matters continue to be the core of its work, the association is now concerned with the marketing, commercial and technical plans of its customers and member companies.

This evolution has run parallel with the other research associations devoted to the textile industry—WIRA, which serves wool, in Leeds; Shirley Institute, which serves cotton and man-made fibre, in Manchester; HARA for the hosiery industry in Nottingham; and SATRA for the shoe industry in Kettering.

All have had to come to terms with a change in the basis of their industry and with a gradual reduction in Government involvement with industrial research.

This evolution does not cause Dr Bill Foster, director of Lambeg, particular grief. "We are much more concerned with the future than the past anyway," he says. "Traditional end uses for linen are now old hat. At LIRA we are looking for new developments in the fields of finer yarns, reducing creasability, blending, flammability and other areas."

LIRA is also looking for ways to stimulate the area given over to the cultivation of flax in Northern Ireland and conducting field trials in its back garden.

Western European production of flax is dominated by France, which has some 100,000 acres in its under production (though this is swamped by Russia, the world's largest producer, which has some 3m acres). By comparison, production in Ulster almost disappeared and is only now making something of a comeback as yarn production picks up. Ways are being found of overcoming the wet conditions in the province which put its production at a disadvantage with the warmer, drier France.

While developments such as flax will continue to be highly important to LIRA, its work ranges much more widely. It is heavily concerned with textiles

from polyolefins, particularly in developing extrusion and processing techniques for film, tape, fibre and filament.

It is also heavily involved in environmental pollution. It has, for instance, developed a range of low-cost catalysts which are highly active in oxidation reactions. These have been applied successfully in the treatment of difficult industrial effluents and gaseous emissions.

Such work has traditionally been heavily funded by membership contributions but, as in the other textile industry research associations, LIRA has had to come to terms with the fact that many members are antipathetic towards paying the increasingly necessary higher fees for the work in hand.

### Search for income

LIRA, like its contemporaries, has therefore had to go outside, sometimes outside the industry itself, to generate the income to keep its 65 staff, 25 of them are highly qualified scientists and engineers, employed.

Today, only 25 per cent of its income comes from membership contributions, with the Government, through the Textiles and Other Materials Research Board, putting up another 35 per cent of its £650,000 income.

There is some indirect Government assistance in that the publicly funded Northern Ireland Industrial Development Board contributes, but the important indicator is the 25 per cent of income that comes from contract work for outside bodies.

This percentage is bound to rise, if only because the Government is reducing its contribution by 10 per cent in 1986 and 1987.

A drive for new members, especially abroad, is being conducted according to Dr Foster. LIRA has not been without success in this field: it already has members in Canada, Australia, South Africa and a foreign country if not strictly abroad—the Irish republic.

Great store is also being placed in LIRA's work on flammability, an increasingly important subject in textile technology.

Anthony Moreton

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## Northern Ireland 6



Galen Ltd, a pharmaceutical company, at Craigavon, Co. Armagh, is one of the small businesses helped by LEDU

## Small business aid earns its keep

NEARLY HALF of the new jobs in Northern Ireland are now in small businesses employing fewer than 50 people. They have also been generated cheaply—at a cost so far of £880 of government assistance per man-year of employment.

When the figure was calculated the average business assisted was 3.4 years old, which works out at under £3,000 per job.

This figure should reduce gradually as more new businesses live longer, which throws an interesting sidelight on the cost of job creation. Attracting inward investment by big businesses costs up to 10 times as much per job as to small business, it therefore more than earns its keep.

It seems to be one of Northern Ireland's unsung successes. The Government makes little play of it in its promotions because small business is usually not about inward investment. Yet what is happening in the small business sector is an important testament to self-help. Few potential inward investors would be unimpressed with what is said about attitudes in the community.

The point, says Mr George Mackey, chief executive of Northern Ireland's small business agency LEDU, which stands for Local Enterprise Development Unit, for LEDU's role is seen largely as internal.

His 85 highly-qualified staff—most are graduates or professionals with industrial or commercial experience—have been so busy that no one seems to have considered much the propaganda value of what has been achieved.

There may actually be wider lessons for LEDU is unique in the UK, and Britain has relied latterly on the enterprise agency movement—loosely funded by the private sector—to help the small business sector. Government policy in Britain has evolved reactively in a laissez-faire atmosphere. In Northern Ireland the approach has been a planned, deliberate one.

LEDU is like an augmented enterprise agency. It is an official government office within the Department of Economic Development and has wide powers to assist small businesses into being or expansion. It can disburse grants, lend funds and help in much the same way that the Industrial Development Board (IDB) does with big businesses.

This year it will disburse £15.5m to small business in the province and spend another £2.5m on administration and advisory services covering such

areas as counselling, design and technical help. It was modelled on Cosira, the Council for Small Industries in Rural Areas, which functioned very effectively in Britain, creating jobs outside the main conurbations. When LEDU was set up in 1971, small business was not regarded as highly as now and its goals were a modest 1,200 new jobs a year.

Five years ago, however, as recession made the province's unemployment worse than ever, this figure was thought too insignificant a contribution.

### LEDU

IAN HAMILTON FAZEY

LEDU's targets were trebled, funding was stepped up and the unit's role was re-assessed.

The original idea had been to help counterbalance some of the less helpful social effects of inward investment drives, which tended to attract large companies to the east of the province, near the main port of Belfast. This inevitably aroused suspicions that Protestant areas were benefiting disproportionately.

LEDU tended therefore to concentrate its efforts outside Belfast and pay particular attention to the west of the province. Now it acts everywhere. Its impact is growing year by year—from 1,613 new jobs in 1981-82, to 2,550 the next year, 3,658 the year after and 4,009 last year. It expects more than 4,200 in 1985-86.

It does not part with taxpayers' money easily. Mr Mackey says: "We tie up our grants in such a way that they have to be earned. It's never a straight handout."

Like the IDB, it likes to see the applicant putting up one-third of the resources needed, with one-third coming from the job in hand. It then provides the remaining third, though in practice it will often go up to 40 per cent, with the entrepreneur's share dropping correspondingly.

The entrepreneur's stake vouchsafes serious intent. Mr Mackey says that the Government's loan guarantee scheme for small business failed in Northern Ireland because it attracted people with poor projects who had nothing personal to lose because their bank borrowings were underwritten. LEDU has organised its business appraisal procedures and conditions of funding so that it does not make such mistakes.

It also has three tough criteria. First, the business has to be "right" for Northern Ireland. Second, it has to really need a leg-up from LEDU—if it can succeed without help it will not get it. And third, it has to be able to achieve positive cash flow in its second year.

"We have several ex-citizens who now turn over more than £10m a year and employ 200 people," Mr Mackey says.

There is an enterprise agency movement in Northern Ireland, but it is unlike Britain's. LEDU has encouraged local authorities to set them up to form a complementary second tier working particularly on arranging suitable premises for enterprise.

Thus, old factories are being converted into workshops, so that in Londonderry there are now 48 small businesses in an old shirt factory in the Strand Road Catholic area and a similar number in another old clothing factory in Protestant Water Side.

LEDU's original role confined it to manufacturing but its remit has extended to the service sector too in the 1980s, though no one believes that this will run to helping fast food franchises, which are rated as having poor prospects in the province. Indeed, "service" is exactly the right word for one project LEDU has aided—an artificial insemination centre for pigs.

Other service sector businesses helped have been in the fields of health care, commercial testing, database technology (serving a network of insurance companies throughout the UK) and export packaging.

Another piece of aid unique to Northern Ireland is the enterprise grant, where an unemployed individual is thought likely to succeed can get £3,000 to buy tools and machinery and lease premises. The figure matches the cost of creating each new job in other types of project. Enterprise grants led to 426 new jobs last year—10.6 per cent of the total.

LEDU's presence, of course, acknowledges the truth about the development of Western Europe—with so much competition for inward investment, development from within via small businesses is critical.

Proportionately speaking, LEDU can give the small entrepreneur as much aid as a multinational giant. In doing so it almost outdoes the IDB's inward investment efforts—and at a fraction of the cost. There must be a lesson in that.

## Lignite is main focus of new development

### Energy

HUGH CARNERY

IT IS typical of Northern Ireland's luck in the energy sector that the thickest seam of the province's latest hope, lignite, lies directly beneath the county Antrim town of Ballymoney and is therefore inaccessible.

Still, officials at the Department of Economic Development can smile about it because of what they see as the very promising outlook for the rest of the lignite, or brown coal, deposits found in the province. Since the decision in September 1984 to strip a plan to pipe in natural gas from the Republic of Ireland's offshore Kinsale field, lignite has become the main focus of future energy development in Northern Ireland.

The abandonment of the Kinsale scheme was a painful and painful. Indeed, the effect of the decision is still being felt. In October, the Government announced a complicated package of grants and subsidies to help consumers change back from gas appliances costing £200m. That followed rejection last April of a reduced rescue plan that would have saved at least a part of the Kinsale project.

Officials say the overall cost of closing the gas industry will be about £100m and it will mean the loss of about 1,000 jobs in the starved province. This compares with capital investment of £150m which the Kinsale plan was projected to have cost.

### Optimistic

There are those who still argue that the scheme was economically sound and should have gone ahead.

But most attention has now swung over to lignite, the first natural energy source to be discovered in significant quantities in Northern Ireland.

The outlook is optimistic enough for Northern Ireland. Save told a fringe meeting at this year's Conservative Party conference in Blackpool that it held out the prospect of the province having "within a relatively short period of time" the cheapest electricity in Britain and possibly in Europe.

That is certainly an attractive prospect for a region where electricity costs are pegged to the most expensive areas of the mainland grid, despite a Government subsidy which reached £100m in the year of the miners' strike.

Given this background, even normally cautious bureaucrats are moved to acclaim the "tremendous potential" of lignite.

It has been known for years that the soft coal existed in Northern Ireland but it is only comparatively recently that it was discovered to be in large quantities. So far exploration has revealed two thick seams totalling some 400m tonnes of recoverable lignite at Crumlin by Lough Neagh, about 200m tonnes on the other side of the Lough at Coagh and large deposits around Ballymoney, some of which is accessible.

The deposits certainly appear, on these figures, to be capable of sustaining electricity generating plants for a good

number of years. The early projection, which Mr King mentioned, is for a lignite burning power station to be built at the mouth of an open-cast mine at the Crumlin site.

At present, the Northern Ireland Electricity Service is conducting a detailed planning study due to be completed early next year which is looking at the prospects for private sector involvement in exploiting the lignite. Northern Strip Mining, a subsidiary of Burnet and Hallamshire, already has a mining licence at Crumlin and plans to produce about 12m tonnes over 10 years for processed lignite products as a domestic substitute for coal.

The major potential identified for the Crumlin deposits is for electricity generation at a mine-mouth power station consuming raw lignite. The potential for more expensive processed lignite is less clear.

The question of the economic viability is, of course, central to the issue and subject to some dispute. A study by the Northern Ireland Economic Council showed that long-term development of the Crumlin deposit alone could yield annual fuel import savings of £45m and contribute 1.2 per cent of GDP. The Government subsidy could also be eliminated.

John McMullen of the Energy Studies Group of the University of Ulster is sceptical. He says the fact that Northern Ireland already has more than 80 per cent over capacity in electricity generation—demand of 1,200 Mw contrasts with more than 2,000 Mw installed capacity—coupled with the huge capital investment of around £500m that lignite exploitation would require makes it hard to justify developing lignite until the turn of the century.

Even then, he says, it should be in a combined heat and power scheme, tapping the hot water output of the power stations for serving domestic consumers. The Department of Economic Development says such schemes are very hard to meter and have not proved popular in the past, but Mr McMullen argues that combined heat and power would mean getting 60 per cent efficiency from the fuel instead of as little as 30 per cent.

The emergence of lignite has pointed up the difficulties facing the NIES over its existing four power stations. One, near Belfast, is an old coal-burning station while the other three are oil-fired plants planned in the 1960s before the oil crisis price explosions.

Another consideration that has not been forgotten in the speculation over lignite is the effect on the environment of the deposits could have. In eastern Europe, and especially in Turkey, heavy reliance on lignite has resulted in serious pollution, mainly from acid, sulphurous smog.

On this count, at least, Northern Ireland should be spared as the sulphur content of the deposits is as low as 0.1 per cent, lower than bituminous coal and much lower than levels of as much as 5 per cent in eastern European deposits.

However, Mr McMullen fears high nitric oxide effluent in stack emissions which would produce nitric acid content in precipitation. There are also fears of the impact on Lough Neagh of warm water emissions from a mine-mouth power station which could affect the local fishing industry.

The energy sector does not escape the political problems that plague the province. Although the Kinsale project attracted broad political support from both unionists and nationalist politicians, electricity supply is affected by the destruction by the IRA of the interconnector between the north and the republic.

It was blown up in 1972 and has never been restored because it runs through the bandit country of south Armagh and the Government believes it would easily be destroyed again.

Mr McMullen reckons the cost of losing this facility to spread peak across the border costs Northern Ireland alone about £5,000 per day.

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## Northern Ireland 7

## Hills touched with gold

## Gold

HUGH CARNEY

One bright story from Northern Ireland recently was the announcement in November by Ennax International of Dublin that it had found gold deposits in the Sperrin Mountains of County Tyrone in quantities likely to support commercial mining.

Ennax was quick to explain that the finds in the Sperrins — an area of rolling hills rather than mountains — were not going to trigger a Klondike-like gold rush to the province. But Ennax took up prospecting licences in the area because local people had long known that small nuggets were occasionally to be found in local streams.

Ennax suspected this meant

there was a bedrock source to be found and they proved themselves to be right.

Bedrock sources were found in mid- and late-1983 and a systematic exploration programme began. Trenching and drilling showed numerous quartz veins down to a depth of 499 ft. Gold values ranged from 0.1 oz of gold per ton over 5 ft to 0.61 oz over 19 ft. The average grade was 0.27 oz per ton, a level of "very definite economic interest," according to Ennax.

The company has been cautious in estimating the total tonnage present but it is likely to run well into six figures. The Ennax findings, the company says, have changed the industry's attitude to the Northern Ireland gold discoveries from scepticism to one of keen interest and expectation and

a sharp rise in gold exploration in the region is expected. Ennax is still evaluating the results of its detailed exploration work but all the signs are that it will go ahead with a plan to sink a ramp-type mine next year. The main purpose of this is to carry out bulk sampling of the quartz veins and test their continuity.

If results from this are positive, the company says, a decision to go ahead with commercial production could be taken around the middle of next year.

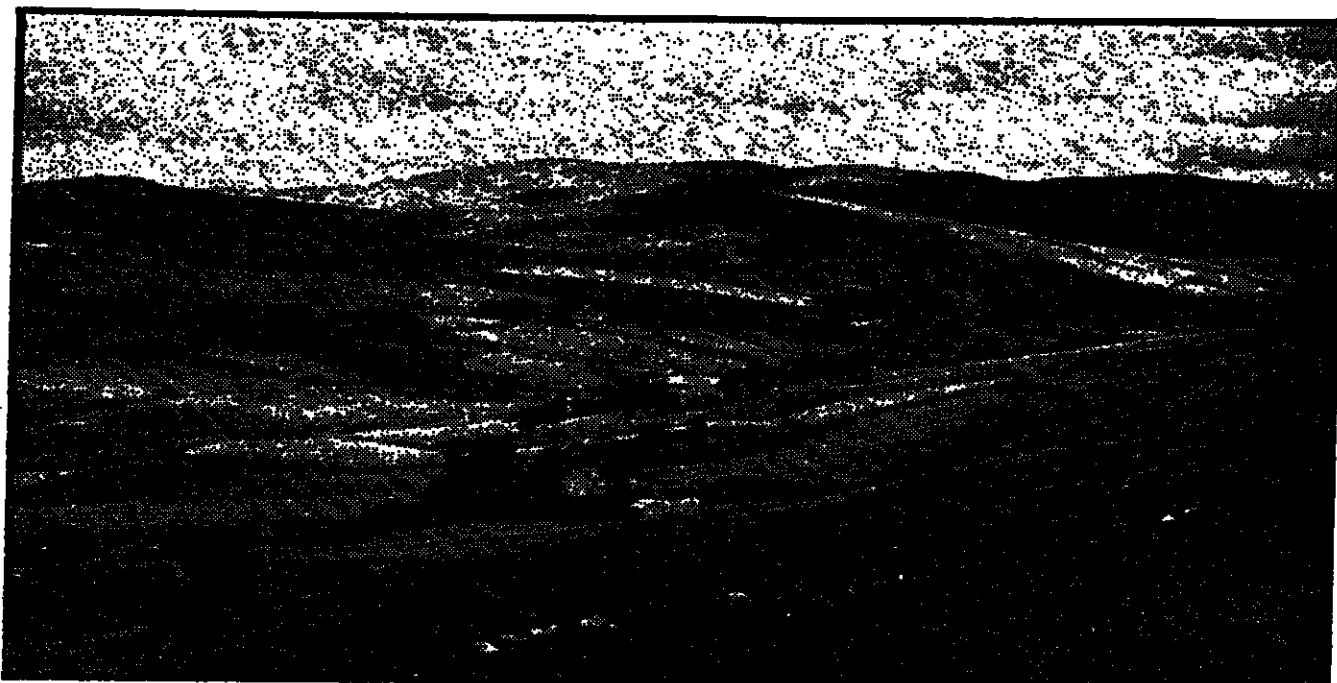
The question about which Ennax is understandably coy is how much a commercial mine might produce. Industry insiders say the deposits Ennax has indicated exist could produce about 60,000 tons of material a year, or about 12,000 oz of gold, from a small number of mines em-

ploying a total of up to 100 people. Such output would make Northern Ireland a small but significant exporter.

Optimism over the finds has to be tempered by the knowledge that gold finds have been speculated over in the past in Northern Ireland.

The Ennax finds are the result of painstaking and expensive exploration work which may yet not result in the hoped-for outcome. The company has spent about half a million dollars in the Sperrins this year alone and costs will rise steeply when the project goes underground.

But as the company itself points out, it is part of the Northgate group of companies which are major gold producers in Australia and Canada. Its people know what they are doing and they have the air of quiet confidence about them.



The Sperrin Mountains of County Tyrone where gold deposits are likely to support commercial mining. The area is typical hill farm country.

## Sharp drop in farm incomes

## Agriculture

MICHAEL DRAKE

NORTHERN IRELAND farmers, reeling from the body blows inflicted by the wettest summer in living memory, are now fighting for survival.

Across the province potato fields remain unharvested; cereal crops have been crushed flat by the elements, and livestock are in danger of running short of fodder long before the winter has passed.

A far cry from a year ago, when because the climate was kinder farmers made money and according to government estimates put an extra \$35m in their pockets.

Today the scene is an entirely different one. Already there is talk of mass bankruptcy on the land and a call has been made for the main banks in Northern Ireland to look more sympathetically on those who have been their customers in good times as well as bad.

In fact Mr Tom King, Ulster's new Secretary of State, who has been taking an unusually active interest in the province's agricultural industry for one in his position — is said to have spoken to the Governor of the Bank of England on the matter.

Conservative estimates put the damage of a bad summer in the region of \$40m. But before the spring touches the land again many more millions will be lost to Northern Ireland's largest industry.

In recent years summer conditions were so good and supplies so plentiful farmers were actually able to export consignments of hay to the continent.

Today the situation is so serious that the Department of Agriculture has granted

licences — for the first time — for the importation of feedstuffs from as far away as Australia and Canada.

The value of milk produced on Ulster's 8,000 dairy farms declined by more than \$13m or 7 per cent in the past year according to the Milk Marketing Board.

During the year producer numbers fell by 350 and the damage done to the industry by the introduction of EEC quotas also took its toll.

In the same period there was a substantial fall — over 50m litres — in milk output, the largest annual reduction since the inception of the MMB 30 years ago.

All-in-all it is believed that the province's dairy farmers suffered a 10 per cent reduction in gross income as a direct result of EEC milk quotas in the past year.

Ulster Farmers Union president Mr Bill Martin has warned that farmers will suffer another sharp drop in incomes because of the effects of the past summer.

## Poor weather

"Figures for the past year show a record high level of net farm incomes but it will be recalled that this was attributed to the exceptionally good weather pattern in that year which produced very high yields at unusually low input volume cost."

"By contrast, 1985 looks like being a year of exceptionally poor weather for most of the United Kingdom and particularly the areas like Northern Ireland," he said.

The Department of Agriculture's Chief Agricultural Officer Tom Larmour estimated some 750,000 tonnes of fodder had been destroyed by the bad weather and it will take 300,000 tonnes of concentrate

feed to make good the shortfall.

To the cynic who asserts that farmers and farming are continually bolstered it must be illustrated the part the agricultural industry plays in the Northern Ireland economy.

Just how significant the industry is to the province can be gauged by the value of Gross Output last year, estimated at \$771m and an increase of 5 per cent.

The volume of output, measured in constant (1980) prices rose by 3 per cent because farmers benefited from substantially higher disposals of cattle at heavier weights; a further increase in sheep and lamb marketings.

Increased average producer returns for many commodities outweighed the effects of lower prices for milk, barley and seed potatoes.

Exports of beef, mutton, lamb and pork have all increased in recent years and added value to beef in boneless form has provided trading advantages especially in respect of Third World countries.

This trade has fallen off somewhat in recent months because of the unattractiveness of export refunds. Now greater emphasis is being placed on continental super-markets as an outlet for Northern Ireland beef.

In the past year beef exports rose to some 117,501 tonnes of which 43,567 tonnes represented bone-out beef.

The French market is one of the most valuable the farmer has for his Ulster lamb because a different support system in the UK makes it difficult to sell to the mainland.

The Livestock Marketing Commission in Northern Ireland is undertaking a survey to see how best this problem can be tackled to ensure further marketing outlets.

In the past year the index

producer prices (1978=100) rose from 130 to 132 and while this index does not cover the items which make up Gross Output prices overall were estimated to have risen by 2 per cent.

Expenditure on inputs of materials and services estimated to have fallen by one per cent stood at \$482m.

Although average input costs rose by 5 per cent, rather more than double the rate of increase in output prices, the volume of input usage declined by 6 per cent. This is taken mainly to reflect lower purchases of feedstuffs as farmers reduced milk production — a consequence of EEC quotas — and poultrymeat production.

Total purchases of feedstuffs by the industry were estimated to have fallen by 10 per cent but the average price rose by 4 per cent so total feed costs were just under 7 per cent lower than in 1983.

## More fertilisers

The upward trend in the use of fertilisers continued in 1984 with a 10 per cent increase in the quantity of nutrient purchases. The average cost rose by 7 per cent and the total value of the industry's fertiliser bills went up by 15 per cent.

An 8 per cent rise in the price per head of store cattle imported from the Irish Republic was the principal reason for an 11 per cent increase in the province's bill for imported livestock.

As the value of Gross Output rose by \$38m and Gross Input fell by \$5m the industry is estimated to have increased by \$43m or 17 per cent its Product.

The farm's gross output rose by some \$35m in 1984, a 10 per cent increase on the 1977 figure the highest in real terms since 1973.

When an examination of the cash-flow position is made the pre-tax funds available to farmers and their families last year were not as great as the increase in farming income.

This, it is felt, was due to higher expenditure on capital investment, not of grants received, than in the previous year.

The volume of buildings and works investments on farms rose by 24 per cent while the plant, machinery and vehicles investment was estimated to have increased by a similar percentage.

Beef output went up by 16 per cent; pigs marketed fell but a 5 per cent increase in prices helped raise the volume of output by over 4 per cent to \$76m.

The enthusiasm with which farmers are concentrating on sheep production was shown by a 10 per cent increase in the volume of sheepmeat output.

The fact that the EEC is only 75 per cent self-sufficient in that commodity is one ray of hope for Ulster farmers as they face the uncertainties of the future.

The author is agricultural correspondent of the Belfast Telegraph.



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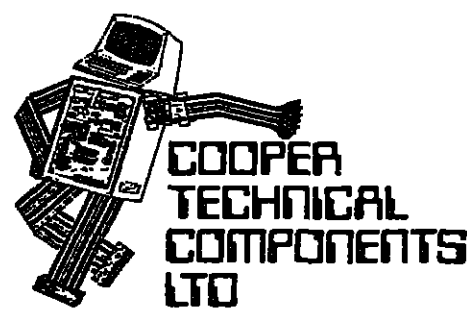


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## The battle for Belfast Car Ferries

### Ferries

IAN HAMILTON FAZEY

THE BIG unanswered question over Northern Ireland's sea links to Britain is who will be the next owner of Belfast Car Ferries, which operates the ten-hour crossing to Liverpool. The company is part of the Dublin-owned Irish Shipping group, profitable operations.

The issue will not be settled until the new year. Bids were asked for at £5m or more, though informed opinion suggests that around £4.5m would still be a good price. There are several bidders, but since they had to swear to confidentiality in order to obtain a prospectus, no one is talking for fear of jeopardising their chances.

However, there are clues to be had from a study of who is already sailing what across the northern half of the Irish Sea, Belfast—although the major port for deep sea shipping—is not the key to operations, but Larnie, a mere two hours from Scotland and now the province's most important maritime link with the British mainland.

Sealink uses three ships between Larnie and Stranraer, with nine sailings. Townsend Thoresen, with two ships and six sailings, uses Cairnryan, five miles further up the Scottish coast, therefore ceding the foot passengers to Sealink because the railhead is at Stranraer. Freight movement is substantial. Nevertheless, Townsend Thoresen claims a 33 per cent market share.

It is also in the happy position of winning both ways, since its parent company, European Ferries, owns Larne Harbour, charging Sealink to use it. However, Mr Denis Gratton of Townsend Thoresen says that this behoves the harbour management to be more than fair to Sealink.

Both companies are in a strong position on the Irish Sea. Between them they transport 1.25m passengers a year through Larne. Demand is strong, and shares are healthy enough for them to share a £2m passenger terminal, which opened last month. This has been modelled

off airport terminals, with comfortable facilities and shopping. Sharing it is seen as no different from what happens at most airports, where all carriers use the same terminal.

The other big force on sea crossing is P & O, which used to operate the Belfast car ferry to Liverpool at mounting losses. P & O has been very successful in using Larne for freight.

Its subsidiary, Pandoro, uses two roll-on, roll-off ships to move drivers accompanied container lorries through Liverpool and Fleetwood. It claims a 20 per cent market share from the 70,000 loads it moves each year.

P & O also moves 20,000 loads a year to Ardrossan, a service operated by another subsidiary, Northern Ireland Trailers (Scotland). It is investing £3m in a new ship with double the capacity in order to develop this.

### Closure

Given P & O's previous experience on the Belfast-Liverpool service, it is unlikely to be a bidder for Belfast Car Ferries. The company ran two ships, each making a night crossing. Passengers' figures declined to about 300,000 a year and the service came under increasing threat as losses mounted. Strikes and siting by the Liverpool crews failed to prevent closure.

When Belfast Car Ferries opened as part of Irish Shipping several months later it was with one of P & O's former accountants, Mr John Hewitt, as chief executive. Mr Hewitt, who was more famous throughout Ireland for being a rugby international and Irish selector, started off with the company lean enough to make profits from the outset.

It has one ship only — named after a Northern Irish saint — acceptable to Protestants and Catholics, St Colum — and uses it intensively, sailing from Liverpool every morning and from Belfast every night. It averages 440 passengers a trip, moving 232,000 a year. It is full up at 1,000 people on about 12 sailings a year around holiday periods, Christmas and Easter.

It would make sense for Belfast Car Ferries to be bought by either Sealink, Townsend Thoresen, or — and Mr Hewitt's refusal to answer the question is as good as an admission of having made a bid — a consortium involving the company's own successful management.

The company would fit with Sealink's increasing dominance of the Irish Sea, since it also managed to merge with — and, in effect, control — the Isle of Man Steam Packet Company this year. One thing this led to was the ending of the island's link with Liverpool because Sealink owns Heysham Harbour in Lancashire and switched its traffic there. Under Sealink, would the Belfast service go the same way?

The important question, however, is how the service would fare as part of a bigger group. Its advantage under Mr Hewitt has been that it has functioned as an independent, medium-sized company employing about 180. This broke old entrenched attitudes, reducing overmanning and encouraging employees to help the company pull itself up by its own bootstraps.

Would a resumption of big-company ownership of the service lead to a diminished sense of involvement and less commitment? One view suggests that carrying on as now, but with a big backer taking a stake to underwrite long-term stability, might produce the best results all round.

## Choice of airports

THE PASSENGER facilities at Northern Ireland's second airport fall far short of Heathrow standards. The terminal building is ancient, utilitarian and Spartan. During the war it was an officers' mess. In the departures lounge, 120 can be squeezed in at a push. If the weather is good in summer they can be spilled outside to garden chairs and tables with umbrellas on the grass.

Flight information is generated on cheap black and white televisions by a Sinclair Spectrum computer programmed by Mr Des Kernaghan, who combines the roles of airport manager and senior air traffic controller. In his utilitarian office he tells a tale of opportunity grasped.

Belfast Harbour airport is based on the airstrip. Short Brothers has tested its planes for more than five decades. The aircraft factory is across the other side of the runway from the terminal. The most important thing about it is that it is in the middle of Belfast, a five-minute ride from the city centre.

Using it saves a longer, more expensive journey from the province's main airport at Aldergrove, 18 miles away. The increasing numbers of people who have taken advantage of its emergency use to the insignificance of creature comforts when weighed against convenience.

The airport is owned by Shorts and began its new role early in 1983. The key to its operation has been Shorts' highly successful commuter aircraft, the 360. Fleets of these comprise the main traffic, with the two British Midland subsidiaries, Manx Airlines and Loganair, running scheduled services from Manchester, Liverpool, the Isle of Man, Glasgow and Edinburgh.

A third small airline, Jersey European (formerly Spacegrand, "Blackpool's own"), flies from Belfast Harbour to Blackpool, the Isle of Man, Exeter, and Teesside. Next month it will start a Birmingham service and it has successfully applied to open a new route to Southampton next year.

That there is a market for the services is shown in passenger statistics—89,000 between February and October 1983, 179,000 in the next 12 months and 200,000 in the year just ended. The airport expects to handle 250,000 this year and because of growth is likely to franchise its shop and snacks counter to use its own management time more effectively. A liquor licence is also being sought.

For Shorts, the airport has

provided a working shop window for its commuter aircraft. The company is wary about claiming that sales have resulted but they almost certainly have. For example, when the Glasgow route opened, Loganair was servicing it with one Twin Otter. By the third week it needed three of them. A week later, Shorts had sold another of its 360s.

Although pleased with the airport's success, however, Shorts is careful about boasting too much. The company was kept afloat for years by the taxpayer before a combination of the 360 and related aircraft, sub-contract work for Boeing, and Falklands-proven weapons systems helped it back towards the black.

He is unhappy about the passengers Harbour and says that the 30-seater 360—which like all small aircraft that fly at low levels is susceptible to turbulence—is not as comfortable as passengers want these days.

He refutes the "convenience" argument advanced for the airport, saying that Belfast is accessible from Aldergrove in a little over half an hour by motorway.

He also refutes the suggestion that more people from the cities of Northern England and Scotland may now be travelling to the province because "a day's business in a day" would appear more easily achievable. He says that passengers from places like Liverpool (full return fare £22) have no real choice in flying to the province since they can now only go to Belfast Harbour. Aldergrove is served from Manchester.

Apart from being a modern airport, Aldergrove's main plus point is a central location in the province which is almost equally convenient for Belfast,

Londonderry, South Down and the West.

The main services into Aldergrove are from London, operated in intense competition by British Midland (BMA) and British Airways. The strain began to tell on BA's shuttle profits this year when the airline dropped flights from nine to seven, the same number as BMA.

The price war (about £85 Apex and £130 full fare, with BMA £2 cheaper) lifted Aldergrove's usage to 1.68m passengers last year, a level that has been maintained with increasing cross-border usage.

Miss Sally Hewitt, head of BA's services, says that despite overcapacity on the route she is still pleased with performance. BA also flies to Manchester and Glasgow, and although services have been hit by the BMA subsidiaries' flights to Belfast Harbour (Loganair also flies Edinburgh-Londonderry, incidentally), she says that there is a definite role and place for the second airport.

WPA is quite so sanguine as Belfast Harbour airport develops, however? Aer Lingus has been having talks about a feeder service, probably operated by a small airline, between the Harbour and Dublin. It has an eye on the £250,000 of business Shorts spends in getting staff to Boeing in Seattle through London each year.

Meanwhile, Jersey European has applied to operate a service into the Harbour airport from the Stolport in London dockland, probably using a Dash 7 aircraft. This might be slower in the air than BA's 757s and BMA's DC9s, but there would be no trek to Heathrow, as well as time saved at the Belfast end.

By then, the Harbour airport will probably look less Spartan. It hopes to get money from the European Regional Development Fund to upgrade facilities, including an X-ray scanner to replace the hand-searching of luggage. It is unlikely that anything can improve on its 20-minute turnaround time for aircraft or reduce the official 20-minute check-in time because it practices the airlines even hold aircraft for passengers stuck in the traffic.

The home-made flight information service will also stay. The cheapest commercial one offered to Mr Kernaghan would have cost £10,000. The Sinclair Spectrum, TV sets and cabling came to only £300. Like the airport, it does the job. Why would anyone need anything better?

## Northern Ireland 8



A peaceful village scene. Newtownstewart, by the River Mourne, Co. Tyrone. Above, right: a sandy beach by the wild rocks and cliffs, Portrush, Co. Antrim.

## Visitors nearing 1m

### Tourism

ALAN WATSON

THE STATE of Northern Ireland's tourist industry has for many years been dependent on the image which the province has generated in the national and international Press and media.

For more than a decade the industry has had to sell holidays on the basis of little more than curiosity value. Many of those who already knew the attractions remained loyal but persuading newcomers to sample the place was an uphill task.

Recovery when it came was quite spectacular. In 1982 and 1983 the number of staying visitors was rising by an annual figure of more than 20 per cent, with a corresponding boost to revenue.

Now the growth has levelled off to what elsewhere would be regarded as solid progress. The area promoted by Northern Ireland's salesmen is, after all, no larger than Yorkshire.

In 1984, the number of visitors rose by 5 per cent to 908,000 and the revenue they generated was up 8 per cent to £78m. Sir John Swinson, chairman of the Northern Ireland Tourist Board, knows that exceeding what has become known as "the magic million" in terms of visitors is going to take some very hard work against tough competition.

Hopes can be dashed all too easily by fresh political instability or acts of violence.

Growth will have to come mainly from the pure holiday sector. The number of people travelling to Ulster either on business or to visit friends and relatives is reaching "normal" levels.

The pure holiday market logged a 9 per cent increase last year as a result of Northern Ireland's improving image and by dint of a hard slog by the industry and the tourist board to sell holidays in overseas markets.

All the province's markets produced reasonable growth except for North America which saw a 17 per cent drop. This was due partly to the collapse of a weekly cheap-rate charter service from New York to Belfast but was affected, too, by competition from the rest of the UK and the fact that Americans touring Ireland were restricting

their itineraries to save their pockets.

The tourist board has stopped including day-trippers from the Irish Republic in its calculations, mainly because of the difficulty of estimating the numbers precisely. In 1983, day-trippers taking advantage of lower shop prices in the north pumped £120m into the economy but tax adjustments in the south have removed much of the attraction.

Fewer Northern Ireland residents took holidays within their own province last year and this summer's atrocious weather is likely to have reduced the number even further. Revenue from home holiday-makers fell by 11 per cent to £29.6m in 1984 which the board believes reflected a shortage of disposable income. It also mirrored a trend apparent throughout the UK.

Sir John believes 1984 growth levels were good in comparison with the performance of international tourism. There was encouraging consolidation and progress in the pure holiday sector, especially from the two nearest markets in the Irish Republic and Britain. Europe also showed an upward trend although to a lesser degree.

In his annual report he said: "We are optimistic that the North American downturn will be reversed. As part of our policy of diverting some of our resources each year to exploring new markets, we have had a most encouraging reception in Australia and New Zealand and expect to see real results from there within a year or two."

Nature has given Northern Ireland a diversity of scenery and more than enough water to meet the needs of the sailing and angling fraternities. The development of tourist amenities and hotels continues to receive significant grant aid from the Government, not least because the industry employs more than 9,000 people and has the potential to employ more.

Consultants commissioned by the tourist board to assess the industry's part in the economy estimated that in 1983 it contributed 3 per cent to GDP as against 4.5 per cent in Britain. Catching up on the rest of the UK would bring obvious economic benefits.

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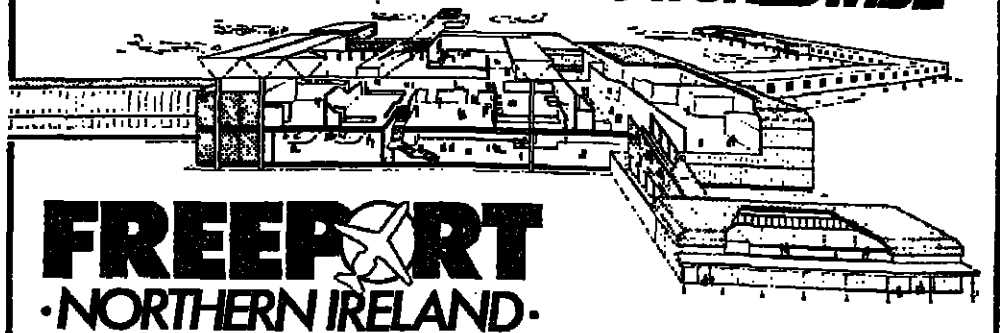


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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday December 4 1985

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Sharp gain  
for Royal  
Bank of  
Canada

By Bernard Simon in Toronto

ROYAL BANK OF Canada, the country's largest banking group, maintained the strong performance of other Canadian banks by lifting net income to C\$121.1m (US\$95.6m), or C\$1.18 a share, in the three months ended October 31, from C\$106.2m, or 95 cents a share, a year earlier.

Earnings for the fiscal year ended October 31 rose by 8 per cent to C\$488m, or C\$4.28 a share. Year-end assets grew 9 per cent to C\$96bn, reflecting growth in domestic personal and mortgage loans, and increased holdings of government securities.

Fourth-quarter return on assets advanced from 0.46 per cent to 0.56 per cent, giving an average for the year of 0.53 per cent, virtually unchanged from 1984.

Weak demand for corporate credit pulled Royal's 1985 domestic earnings down by 8 per cent to C\$331m, and the return on domestic assets fell by nine points to 0.56 per cent.

However, international income bounced back from depressed 1984 levels, rising from C\$91m in fiscal 1984 to C\$157m.

Mr Rowland Frazee, the chairman, ascribed the improvement to "strong growth" in fee income and higher interest receipts from borrowers in Latin America and the Caribbean.

Non-performing loans, net of loss provisions, fell in the past year from C\$2.7bn to C\$2.4bn. Domestic customers - mainly in the western Canadian property, oil service and forestry sectors - accounted for about half the total.

Loans to financially troubled customers renegotiated at concessional rates of interest jumped from C\$74m to C\$180m. Almost all these advances were to Canadian borrowers.

Lesieur's third  
quarter loss

By Our Financial Staff

LESLIEUR, the French edible oils group which was forced to cut its dividend for 1984, reported a net attributable loss of FF8.5m (\$650,000) for the third quarter of 1985, against a FF8.1m deficit a year earlier.

The result leaves nine-month attributable earnings of FF29m, down from the FF76m returned for the first nine months of 1984. Third-quarter sales totalled FF2.24bn, against FF2.33bn.

Sainsbury makes £60m debut

INVESTORS were offered a fresh delicacy for their shopping baskets yesterday when J. Sainsbury, the UK supermarket group, made its debut in the Eurobond market, writes Maggie Urry in London.

The issue of £60m, with a further £40m tap, is rated AA by Standard & Poor's and the company claims to be the highest-rated food retailer in the world.

The name is not well known outside the UK, though traders said demand for the bonds was seen from abroad, helped by the rating. The funds will be used to repay short-term bank borrowings and will go towards the expansion of the store chain.

Terms for the seven-year issue were set at a 10 1/2 per cent coupon and par issue price, and with fees of 1 1/2 per cent. Sainsbury's borrowing cost is only marginally over UK gilt-edged bond yields. The issue was trading around 98 1/2 at the close.

Another Eurosterling deal, this one a floater, was launched for the Anglo Building Society by Morgan Guaranty. Terms for the £100m issue were slightly tighter than the last few building society issues but the bonds were quoted at a level profitable to co-managers of around 99.21.

The bonds will have a first coupon payable in April 1986 of 11 1/2 per cent, and thereafter the coupon will be reset every quarter at 1/4 per cent above London inter-bank offered

"HOW are we coping with the crisis in micro-chips? I will tell you: with a lot of pain. It is really tough and we are suffering."

Mr Pasquale Pistorio, the energetic managing director of SGS, Italy's leading semiconductor company, is not a man to equivocate. The state-owned SGS (a part of the IRI-Stet holding group) is heading for a \$15m to \$20m loss this year on 1985 sales which should total just over \$300m, an 8 per cent drop on last year.

The response? Mr Pistorio says he is working to prevent SGS's financial performance from deteriorating beyond that of its principal competitors and is trying to maintain market share during the crisis. "We will compress operating costs but we have a law here at SGS: we do not sacrifice any strategic programmes. We cannot cut research spending because at the end of the crisis we must be in a position to compete."

SGS, hit by an average 20 per cent fall in world demand for chips and savage price-cutting by competitors, has embarked upon a strategy of lay-offs, reductions in overheads and an increase in strategic investments and research and development.

"My sales are flat, but I am increasing R & D expenditure. I have added 120 people and now have 750 professional researchers (out of a total Italian SGS workforce of



Suffering - Pasquale Pistorio, managing director of SGS

4,850). This year R & D will represent 14 per cent of sales, which is a Japanese kind of level," explains the shrewd Mr Pistorio, who arrived at SGS five years ago after 17 years working for Motorola.

Mr Pistorio's arrival at the Italian state-controlled chip maker caused quite a shake-up at the then lethargic SGS. With a combination of American-style sloganeering, constant cost-benefit analysis, tough rationalisation measures and gritty determination, Mr Pistorio proceeded to rewrite Italian industrial

history. He transformed SGS into a lean and hungry chip maker which last year made its first profit - \$10m - in a decade. The accolades came pouring in. Then the world market soured.

SGS stayed above the break-even level in the first half of this year, no small achievement as world overcapacity saw prices fall drastically. The 64k Eprom advanced memory chip, for example, last year sold for more than \$3 and is now available for 80 cents.

One key strategic manoeuvre was to lay off assembly workers, an area where the Pistorio thinking paid off. Five years ago 80 per cent of the 5,000 assembly workers were based in Italy. Now they are almost entirely based in places such as Malta and Singapore. This has allowed SGS to lay off 1,300 overseas workers in the past year, something which would have been politically impossible in the Italian system.

In Italy it is less easy to reduce labour costs. But Mr Pistorio's men succeeded in negotiating temporary shutdowns of the 4,850 workers in Italy - two weeks in the first half of this year and three weeks last summer.

Since September the Italian workforce has been on a four-day week, and managers have been subjected to an unusual Pistorio technique - the enforced working holiday. "Since August," says Mr Pistorio with a broad grin on his face, "all

managers have been on holiday every Friday and have spent 14 hours in the office every Friday."

How did this come about? Mr Pistorio spreads his hands and explains: "All our managers are kindly invited to come to work while they are on holiday. And they do."

As of this week the situation has become more serious. For this month and the first six months of 1986, the entire workforce will work only three weeks out of every month. The saving of what amounts to seven months of a 25 per cent cut in labour costs is considerable - around L3bn (\$1.785bn) in payroll costs each week and a total of L4bn when overheads are included. That represents a saving between now and next June of about L28m.

Mr Pistorio, an enthusiastic Americanophile, says that "managing the crisis in Europe is much harder than it would be in the US, where we would simply lay off 1,000 people."

Instead, he must function in Italy's state industrial system. He reckons he will succeed, particularly because he is still forging ahead with "strategic projects." Examples of these, apart from R & D, are SGS's development of full productive capacity of the 6in wafer front-end, the state of the art in chip technology.

"I want to be on-stream even if it costs me millions of dollars," declares Mr Pistorio. "Anybody who

has not mastered the 6in wafer within the next year will be at a tremendous disadvantage."

Another example is the Arizona-based SGS factory, which was scheduled for completion last July, with production in January 1986. Instead, the \$110m Arizona venture is being slowed and the factory will be ready in the fourth quarter of next year.

"We are working down our costs and I expect we will be in loss until next June, then back in profit in the second half of 1986," the SGS managing director predicts. What happens if the global crisis continues beyond expectations? "If next year turns out like this one then we will see many dead bodies, but SGS will not be one of them. We are determined to stay in the broad range of products and we are determined to be profitable again."

Satisfied now that he has described SGS's strategy for coping with the crisis, Mr Pistorio assumes an almost religious pose and begins talking about "one of my favourite subjects, the Japanese."

"I am one of the companies in the Western world which will emerge stronger from this crisis," he begins. "But let's not kid ourselves: we in Europe and the US are in an economic war with the Japanese electronics industry. The Japanese are out to control the world market in semi-conductors and through it the entire electronics business. This crisis is in large part a function of the war Japan is waging and the world overcapacity which is a result of the war."

Deere  
profits  
fall to  
\$30m

By Terry Dodsworth in New York

DEERE, the leading US farm-equipment manufacturer, suffered a severe squeeze on profits in its fiscal year to the end of October and is continuing to feel the effects of depressed conditions in the agricultural sector.

The company warned shareholders yesterday that the tough market conditions were likely to continue, putting operating results next year under considerable pressure.

Net income for the year amounted to \$30.5m, or 45 cents a share, against \$104.9m, or \$1.55 in 1984, while sales fell by 8 per cent to \$4.1bn from \$4.4bn. In the fourth quarter, earnings dropped to \$19.4m, or 29 cents a share, from \$34.2m, or 51 cents, on sales of \$1.1bn compared with \$1.2bn in the same period of last year.

Mr Robert Hanson, chairman, said the "difficult and uncertain" conditions in farming suggested no likelihood of a near-term improvement in retail demand for farm equipment.

"The industry continues to be affected by high levels of dealer inventories, low capacity utilisation and intense price discounting," he said.

Deere's results would have been much worse without a strong contribution of \$95.9m in net income from its finance, leasing and insurance subsidiaries, up from \$82.8m in 1984.

In its manufacturing and marketing operations, the group plunged to pre-tax losses of \$129.2m for the year because of the higher cost of production caused by the decline in capacity utilisation, coupled with heavy price discounting.

The group was also helped by inventory gains under its last-in, first-out (LIFO) accounting methods, resulting from the decline in its stocks during the year.

New orders fuel  
GHH profit surge

By Rupert Cornwell in Bonn

EUROPE'S largest mechanical engineering group, Gutehoffnungshütte (GHH), yesterday reported a buoyant start to its current financial year, after achieving an adjusted net profit of DM 128m (\$50.8m) for 1984-85, a DM 300m improvement on its dismal performance 12 months before.

The West German group announced a surge of 14.8 per cent in new orders in the first four months of the year beginning on July 1, largely because of a long-delayed pick-up in domestic business. Despite the increased value of the D-Mark, export orders were still at a high level.

GHH's turnaround stems, above all, from the improvement at its previously troubled subsidiary, Maschinenfabrik Augsburg-Nürnberg (MAN), with which it is due to merge next year as part of a group

restructuring programme. In all, GHH registered a profit of DM 503m for 1984-85, but this included the DM 375m booked by MAN for the sale earlier this year of its previous 50 per cent stake in engine manufacturer MTU to the Daimler-Benz car group.

GHH lifted total orders last year by 21 per cent to DM 14.98bn, due mainly to a jump in export business, which accounted for almost 53 per cent of the total against less than 48 per cent in 1983-84. Orders in hand on June 30 totalled DM 13.19bn.

Sales last year by the group, including MAN, advanced 15.1 per cent to DM 14.59bn, with the share of exports up to 50.5 per cent from 46.5 per cent. GHH, however, gave no figures for the growth of sales in the first four months of the 1985-86 financial year.

Belgian group  
signs accord  
with Sumitomo

By Paul Cheswright in Brussels

SOCIÉTÉ GÉNÉRALE, the biggest of the Belgian industrial and financial-holding companies, has strengthened the international dimension of its business by signing a co-operation agreement with Sumitomo of Japan.

The agreement, Société Générale said yesterday, was designed to provide a framework for joint ventures and investment between units of the respective groups.

Société Générale is looking for ventures with Sumitomo in the non-ferrous metals sector, electronics and engineering, and finance and insurance. Both groups have units operating in these areas.

The link with Sumitomo fits Société Générale's programme of internationalisation, evident recently in joint ventures with Compagnie Générale d'Electricité de France and fund-raising on the European capital markets.

Remy Martin acquires Heidsieck

REMY MARTIN, one of France's leading cognac groups, has acquired for FF285m (\$38.4m) control of the Charles Heidsieck champagne company, writes Paul Bets in Paris.

The acquisition of a 67.5 per cent stake in Charles Heidsieck is part of the cognac group's ongoing diversification policy designed to extend its operations in other wine-related

quality businesses.

Remy Martin took control in 1984 of the Nicolas wine group, and before that it acquired the Krug champagne company.

After Krug, a luxury champagne brand, Remy Martin sought to extend its presence in the champagne market by buying a larger-volume producer such as Charles Heidsieck, which is none the less re-

garded as a quality brand.

Charles Heidsieck has annual sales of FF220m and markets 3.2m bottles a year of which 80 per cent is for export.

Although Remy Martin has been seeking to diversify from its basic cognac business, it has so far limited its diversification policy to wine-related ventures unlike some groups such as Moët-Hennessy

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Sweden to redeem \$750m perpetual floater

By Peter Montagnon and Kevin Done in Stockholm

SWEDEN is to redeem the \$750m perpetual floating rate note it arranged in the Euromarkets through Morgan Guaranty in June last year.

The deal, which was the first undated issue to be offered by a sovereign borrower, is now regarded as too expensive, according to Mr Peter Engstrom, director of the National Debt Office.

It carries a margin of 1/4 per cent over the London inter-bank offered rate (Libor) - much more than Sweden would pay on even a long-

dated floating rate issue. Speaking here late last night, Mr Engstrom said Sweden - which is following a policy of no net increase in state borrowing abroad - had no specific plans to replace the issue with a new borrowing.

"We don't need to replace it with anything in particular. We take a portfolio average. We see the gross figure we have to refinance and we look at the various market opportunities." The issue will be repaid in January, Mr Engstrom also said

Sweden had repaid about SKr 35bn equivalent of other foreign debt early this year, and refinanced it at lower costs.

Among deals repaid are two large sterling credits, one for £500m arranged by Samuel Montagu, and the other for £150m, lent by National Westminster Bank.

It had proved impractical to refinance these credits in sterling because of Bank of England regulations limiting individual issues in the floating rate note market to

£100m, he said. Refinancing in the sterling credit market would not have generated worthwhile savings.

Sweden had been able to make the bulk of the repayments at a time when the dollar was much stronger against the UK currency, thereby generating substantial foreign exchange savings, he said.

The dollar now accounts for just under two thirds of Sweden's SKr 137bn foreign debt, while after the repayment, sterling has a share of only 5 per cent to 6 per cent.

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## INTL. COMPANIES & FINANCE

### Preussag profits down in quarter

By Jonathan Carr in Frankfurt

PREUSSAG, the diversified West German industrial concern, yesterday reported slightly lower profits in the first nine months on consolidated domestic group turnover 8.9 per cent down at DM 3.2bn (\$1.28bn).

Preussag noted in particular the fall in zinc prices and general metals trading problems which depressed the results of its subsidiary, Amalgamated Metal Corporation. These difficulties would affect profits in the last quarter too, the company said.

Preussag reported that its other divisions - including oil, chemicals, coal and transport - increased profits. Even the depressed construction sector was showing improved results.

In 1984 Preussag raised world group net profit to DM 135m from DM 136m, and boosted its dividend from 16 per cent, to 18 per cent.

### Wella lifts nine-month earnings 10%

By Our Frankfurt Correspondent

WELLA, the West German hair-care company, raised world group pre-tax profits by 10.3 per cent to DM 103.7m (\$41.5m) in the first nine months and expects the buoyant trend to continue for the rest of the year.

Profit of the parent company, which went public in 1983 with an issue of non-voting preference shares, rose by 15.4 per cent to DM 25.8m. Last year the parent made after-tax profit of DM 20m and raised its dividend to 18 from 16 per cent.

Group sales revenue in the first nine months was up by 10.3 per cent to DM 1.3bn, and group investment jumped by more than one quarter to DM 36m.

Wella, whose ordinary capital remains in family ownership, says the investment boost underlines its confidence of further sales growth well beyond 1985.

### Court setback for Texaco

By William Hall in New York

TEXACO, the US oil group, has failed in its attempt to delay this week's Houston court hearing on a \$10.5bn damages award against the company.

Texas state judge Solomon Casseb denied Texaco's request for a week's delay in the hearing scheduled for tomorrow. Texaco had been seeking a delay so that it could brief a newly engaged law firm in its effort to overturn the largest civil damages award in US history.

At the hearing the judge has the option of affirming, reducing or eliminating the jury's November 19 verdict against Texaco, which found that the oil company had improperly interfered with Pennzoil's planned merger with Getty Oil.

### Litton suffers 35% decline

By Our Financial Staff

LITTON Industries, the US electronics, office and industrial products and shipbuilding conglomerate, suffered a fall of more than 35 per cent in first-quarter profits to \$43.67m.

The company blamed continued losses in energy markets served by its resource exploration services division and intense competitive pricing pressures in the consumer microwave oven business.

The decline in earnings per share, from \$1.59 to \$1.56, was reduced because of the buyback of 15m shares. Sales for the three months were down at \$1.1bn, from \$1.17bn.

For the whole of 1984-85, Litton's profits were 4.5 per cent lower at \$289m, or \$7.27 a share.

### Beatrix Mines' first dividend

By Kenneth Marston, Mining Editor in London

BEATRIX Mines, South African Gencor group's young gold-mining company, has declared a first dividend of 15 cents (5.4 US cents) earlier than expected.

The company derives its income from the Beatrix mine being worked by Buffelsfontein, which itself is lifting its interim dividend for the year to next June to R5 from R3.75 a year ago when there was a subsequent final of R4.40.

Among the final dividends announced by Gencor's gold producers, St Helena shows up particularly well with a payment of R2.90 to make a 1985 total of R4.50 against R3.20.

Veteran West Rand Consolidated is raising its final to 80 cents to make a year's total of R1.20.

## US boost for Aegon revenues

BY LAURA RAUN IN AMSTERDAM

AEGON, the second largest Dutch insurance company, lifted its earnings by a comfortable 13 per cent to Fl 266m (\$84m) in the first nine months as accident and health business contributed more to profits.

The company repeated its forecast that net income per share for all of 1985 would exceed last year's Fl 8.53, despite a larger number of shares outstanding. A recent share offering in the US plus stock dividends and conversions increased the amount of common stock by 12 per cent.

Revenues edged up 5 per cent to Fl 6.74bn in the first three quarters. The US share issue raised Fl 219m while a seven-year 10 1/4 per cent Eurodollar bond raised Fl 311m.

health businesses account for 80 per cent of Aegon's total turnover. The US contributes 40 per cent of turnover.

Fresh equity and debt expanded the balance sheet in the third quarter. The US share issue raised Fl 219m while a seven-year 10 1/4 per cent Eurodollar bond raised Fl 311m.

## FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 3.

U.S. DOLLAR	Issued	Bid	Offer	Change on day	Yield
Ames 10 1/2 92	100	101 1/2	101 3/4	+ 0 1/4	8.75
Ames 10 1/2 94	100	101 1/2	101 3/4	+ 0 1/4	8.75
Ames 10 1/2 96	250	97 1/8	98 1/4	- 0 1/4	10.52
Australia Com 11 1/2	200	106 1/4	106 3/4	+ 0 1/4	8.25
Australia Com 11 50	100	106 1/4	106 3/4	+ 0 1/4	8.25
Australia Com 11 75	150	104 1/4	104 3/4	+ 0 1/4	8.16
Canada 12 1/2 92	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 94	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 96	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 98	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 00	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 02	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 04	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 06	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 08	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 10	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 12	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 14	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 16	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 18	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 20	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 22	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 24	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 26	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 28	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 30	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 32	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 34	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 36	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 38	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 40	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 42	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 44	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 46	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 48	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 50	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 52	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 54	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 56	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 58	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 60	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 62	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 64	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 66	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 68	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 70	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 72	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 74	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 76	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 78	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 80	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 82	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 84	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 86	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 88	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 90	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 92	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 94	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 96	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 98	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 00	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 02	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 04	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 06	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 08	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 10	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 12	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 14	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 16	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 18	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 20	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 22	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 24	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 26	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 28	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 30	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 32	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 34	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 36	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 38	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 40	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 42	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 44	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 46	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 48	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 50	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 52	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 54	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 56	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 58	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 60	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 62	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 64	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 66	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 68	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 70	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 72	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 74	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 76	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 78	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 80	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 82	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 84	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 86	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 88	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 90	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 92	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 94	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 96	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 98	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 00	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 02	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 04	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 06	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 08	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 10	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 12	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 14	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 16	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 18	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 20	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 22	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 24	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 26	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 28	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 30	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 32	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 34	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 36	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 38	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 40	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 42	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 44	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 46	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 48	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 50	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 52	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 54	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 56	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 58	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 60	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 62	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 64	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 66	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 68	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 70	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 72	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 74	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 76	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 78	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 80	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 82	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 84	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 86	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 88	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 90	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 92	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 94	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 96	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 98	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 00	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 02	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 04	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 06	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 08	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 10	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 12	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 14	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 16	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 18	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 20	100	103 1/2	103 3/4	+ 0 1/4	8.81
Canada 12 1/2 22	100				



## INTERNATIONAL COMPANIES and FINANCE

Chris Sherwell on the end of self-regulation for the Singapore Stock Exchange  
Chastened brokers agree to toe the line

SINGAPORE'S MORE respected stockbroking firms yesterday emerged bruised and somewhat chastened from the crisis talks which followed the suspension of stock market trading on Sunday.

"There are some bloody heads," one leading broker said, after reluctantly agreeing to go along with a package to help other firms threatened by self-incurred defaults on forward share transactions.

They had been persuaded, after heated wrangling which lasted all day Monday and went right through the night, to support the "lifeline" because the whole stockbroking industry was in jeopardy after the recent collapse of Pan-Electric Industries, a quoted marine salvage, hotel and property group.

But a crucial additional factor was extraordinary pressure from the Monetary Authority of Singapore (MAS), the powerful regulatory agency for the country's financial sector. As one banker pointed out: "The irony of all this is that it is the good boys, who refuse to get involved in potentially dangerous share transactions, who have had their arms twisted to help the naughty boys."

From all accounts, emotions became very heated among the brokers, who were effectively shut in a room and told to agree. One broker said: "The MAS was in a very difficult position, ahead with the big four local banks on a \$8180m (US\$84.4m) standby credit for the Stock Exchange of Singapore, which

the 24 broking firms would in turn guarantee. The agreement was followed yesterday by consultation between the MAS and scores of foreign banks which have lent to local brokers. The foreign bankers were shown the agreement which had been reached, asked if they had any doubts about the industry's stability, and told there was no need for panic action—such as further cuts in credit lines, which have already been curtailed in many cases.

The key actor in this drama, as in the 11 days of abortive rescue talks before Pan-Electric's collapse, was Mr Joe Pillay, managing director of the MAS. Though a civil servant rather than a politician, he is a man of great authority

and influence. At a press conference last night, he insisted that the agreement was aimed at strengthening the stockbroking industry and not at propping up the market or rescuing insolvent broking firms.

More importantly, Mr Pillay acknowledged that a two-pronged set of reforms—from the Government, in the form of amendments to the Securities Industries Act, and from the Stock Exchange itself—would mark the end of self-regulation for the local stock market.

If the battered brokers and exhausted bankers looked relieved last night, the respite may be temporary. Technical details of their deal must still be settled today in time for a resumption of trading tomorrow.

The line-up of the Stock Exchange committee is also bound to change, although probably later. Whether the Kuala Lumpur Stock Exchange follows Singapore's plan remains an open question. If it does not, tomorrow could be even more chaotic than is already anticipated as a result of expected selling pressures. The survival of the traditional link between the two will also be at risk.

Asked yesterday whether the whole affair has damaged Singapore's status as an international financial centre, Mr Pillay admitted it would be misleading to say it had had no impact. "But that is why we've been working so hard. We hope that any damage to our status will be minimised."

## Dunlop Olympic buys glove groups

By Tony Jackson

DUNLOP OLYMPIC, the Australian industrial group, is to acquire four companies making and distributing latex gloves. The purchase price is undisclosed, but will be partly financed by a \$55.35m (US\$57.5m) share placing at \$2.25 per share, with the remainder to be paid in cash.

The companies being acquired are Lamprecht, a small West German manufacturer of neoprene industrial gloves; Bieser, a French distributor of latex gloves and medical disposables; Kelga, a Malaysian maker of household and industrial gloves; and Pharmaseal, a US manufacturer of surgeons' gloves and medical kits with factories in Arizona and Mexico.

The acquisitions will expand the group's Ansell International division, claimed already to be the world's biggest supplier of household and medical examination gloves, and one of the biggest suppliers of surgeons' gloves.

Dunlop said the acquisitions would expand Ansell's output of medical examination gloves by 20 per cent, to 740m pairs per year, while surgeons' glove output will rise by 42 per cent to 113m pairs.

Dunlop said it expected dividends in the current year to be at least maintained on the new capital, which will amount to an extra 6.8 per cent.

## First-half earnings at NZFP down 16.4%

BY SANDY SOUTHON-PERRY IN WELLINGTON

HIGH INTEREST rates, increased in government charges, a strong New Zealand dollar and industrial troubles were blamed for a 16.4 per cent drop in half-year net earnings of New Zealand Forest Products.

For the six months to September, the company reported net earnings of \$24.5m (US\$25.54m), full-year earnings expected to be up better but will be below last year's record of NZ\$110.22m.

High interest charges pushed up the cost of funding in the half year, and this was reflected in a 34 per cent fall in the group's share of profits from associated companies to NZ\$9.38m. An increase in other costs was reflected in the pre-tax profit figure of NZ\$38.9m, down 29 per cent, despite a 13 per cent rise in sales to NZ\$588.17m.

Sales in New Zealand were up 17 per cent to NZ\$60.86m and

in Australia rose by 89 per cent to NZ\$26.8m, but exports fell by 23 per cent.

Earnings were 13.5 cents per ordinary share, and the company will pay a ninterim dividend of 6 cents a share on capital expanded by a recent one-for-five scrip issue.

Mr Lynn Pappas, the chairman, said the closure of a board mill at Whakatane had been made necessary by adverse exchange rates and increased

competition in traditional markets, making it impossible to retain export markets.

Brerley Investments said yesterday it had placed 15m shares at \$5.20 with Australian institutional investors to raise funds for international expansion. Reuter reports from Wellington.

The shares were placed on Monday at a discount of 8.4 per cent on its New Zealand closing price of NZ\$6.85.

## LTA blames Australian veto for interim setback

BY JIM JONES IN JOHANNESBURG

LTA, one of South Africa's leading civil engineering companies, has blamed the Australian veto for interim turnover and profits.

Turnover fell to R584m (\$210.5m) in the six months to September from R609m in the corresponding period of 1984. Pre-tax profits fell to R1.72m from R6.34m. Sales totalled R1.14bn in the year to March and pre-tax profits reached R2.00m.

Dr Zach de Beer, the chairman, said that LTA suffered a major setback in Australia where the government decided not to award federal contracts to a South African-controlled company.

Two contracts which were to be awarded to LTA were put up for re-tender and LTA was not permitted to tender for them.

Dr de Beer added that LTA would withdraw from Australia as soon as it has completed existing contracts.

Within South Africa the company has suffered from the decline in construction activity. Work volumes have fallen and margins have been sharply reduced.

A R6m provision has been made against possible contract losses and this has led the company into a R4.75m attributable loss for the half year against profits of R3.05m. An interim dividend has again not been declared.

## The General Electric Company plc.

## Interim Report

1. The unaudited results for the six months ended 30th September 1985 are:

	6 months to 30th Sept. 1985	6 months to 30th Sept. 1984	Year to 31st March 1985
Profit before taxation	£289	£322	£729
Estimated taxation	108	141	293
Minority interests	160	191	426
	4	9	19
Earnings per share	176	182	407
	6.6p	6.6p	14.9p

2. The directors have declared an interim dividend on the Ordinary Shares of 1.40p (1984, 1.35p) per share payable on 30th March 1986 to shareholders on the register at the close of business on 13th February 1986. The cost of the interim dividend is £37 million (1984, £37 million).
3. As stated by the Chairman at the Annual General Meeting in September, the results for the first four months of the current financial year were down on the previous year, a trend which continued during August and September.
- Major items involved were:
- (a) a fall of £1.4 million in the profits of the Exchange and Transmission group. So far as Transmission is concerned, the work load is still declining, but Exchange division is expected to recover in the second half through the increasing rate of delivery of System N;
  - (b) the profits of Canadian Marconi Company were reduced by Canadian \$22 million as a result of a drop in the order book, which is beginning to show signs of improving;
  - (c) a reduction of £1.6 million in the results of Marconi Secure Radio, GEC McMichael and the Switchgear businesses. In the case of Marconi Secure Radio, a substantial overseas order, on which considerable expenditure had been incurred, was not implemented because of a failure to establish acceptable credit terms. Abortive expenditures were also borne in GEC McMichael. The Switchgear and associated businesses suffered further from the difficulties which were reported at the end of last year and from a continuing low demand. In all of these units substantial costs are being incurred in the process of reorganisation;
  - (d) sharply increased expenditure on research and development, particularly in microelectronics and opto-electronic devices and in their applications;
  - (e) movements in exchange rates reduced the sterling value of the overseas activities by £11 million as against the prevailing rates at 30th September, 1984. There was also a reduction of £10 million in gains arising from the Company's holdings of foreign currencies.

	Profit before Tax 1985	Profit before Tax 1984	Turnover 1985	Turnover 1984
Electronic Systems and Components	£77	£108	£777	£844
Telecommunications and Business Systems	33	40	352	368
Automation and Control	20	19	230	215
Medical Equipment	9	14	199	230
Power Generation	29	26	303	297
Electrical Equipment	19	19	377	351
Consumer Products	14	11	154	138
Distribution and Trading	6	6	108	111
Associated Companies	207	243	2,600	2,569
Activities sold: Subsidiaries	4	11	146	179
Associated Companies	-	-	-	10
Other activities and items	(2)	(6)	36	29
Income receivable, less interest payable, from loans, deposits and investments, including revaluation adjustments	80*	84*	-	-
	289	322	2,782	2,794

\*Includes credit revaluation adjustments of the Company's holdings of foreign currencies of £1 million (1984 £1.1 million).

5. Bank deposits, current asset investments and net balances with bankers at 30th September 1985 were £1,367 million (31st March 1985, £1,414 million).

	Profit before Tax 1985	Profit before Tax 1984	Turnover 1985	Turnover 1984
United Kingdom	£157	£172	£1,316	£1,225
Rest of Europe	16	17	257	234
The Americas	26	43	464	564
Asia	3	5	115	127
Africa	1	1	345	304
Alma	1	1	103	115
	207	243	2,600	2,569

- (b) Sales to customers excluding inter-group and associated companies
- (c) Exports from the United Kingdom

S&amp;C

This announcement appears as a matter of record only

850,000 shares  
NEWPORT  
PHARMACEUTICALS  
INTERNATIONAL INC.

The above shares have been placed privately with institutional clients of

American Equities  
Overseas Inc. and  
MedVest Inc.

November, 1985

All of these securities having been sold, this announcement appears as a matter of record only.

## NEW ISSUE

4,400,000 Class A Depositary Units  
Representing Class A Limited Partners' Interests

## Rayonier Timberlands, L.P.

Lazard Frères &amp; Co.

E. F. Hutton &amp; Company Inc.

Bear, Stearns & Co. Inc. The First Boston Corporation Alex. Brown & Sons Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Drexel Burnham Lambert Goldman, Sachs & Co. Hambrecht & Quist

Kidder, Peabody & Co. Merrill Lynch Capital Markets Montgomery Securities

Morgan Stanley & Co. PaineWebber Prudential-Bache Robertson, Colman & Stephens

L. F. Rothschild, Unterberg, Towbin Salomon Brothers Inc. Shearson Lehman Brothers Inc.

Smith Barney, Harris Upham & Co. Wertheim & Co., Inc. Dean Witter Reynolds Inc.

Allen & Company A. G. Edwards & Sons, Inc. Oppenheimer & Co., Inc. Rothschild Inc.

Thomson McKinnon Securities Inc. Tucker, Anthony & R. L. Day, Inc.

November, 1985

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

Chapter 11  
Case No. 85-04019-HZ-S  
through 85-04022-HZ-S  
and 85-04081-HZ-S  
through 85-04085-HZ-S  
Consolidated Case  
No. 85-04019-HZ-S

NOTICE TO CREDITORS AND EQUITY SECURITY HOLDERS OF  
(A) HEARING ON APPROVAL OF DISCLOSURE STATEMENT, (B) HEARING ON  
CONFIRMATION OF JOINT PLAN OF REORGANIZATION AND (C) TIME WITHIN  
WHICH CREDITORS AND EQUITY SECURITY HOLDERS MAY VOTE FOR  
ACCEPTANCE OR REJECTION OF JOINT PLAN OF REORGANIZATION

## NOTICE IS HEREBY GIVEN THAT:

1. On September 5, 1985, Continental Airlines Corporation, Continental Air Lines, Inc., Texas International Airlines, Inc. ("TXI"), TXIA Holdings Corporation, TXIA Finance (Europe) B.V., Texas International Airlines Capital N.V., and Texas International Airlines Finance N.V. (collectively, the "Debtors"), filed with the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") the Debtors' Joint Plan of Reorganization Under Chapter 11 of the United States Bankruptcy Code (the "Plan") and a proposed disclosure statement pursuant to section 1125 of the Bankruptcy Code in connection with the Plan (the "Disclosure Statement"). Copies of the Plan and the Disclosure Statement are on file with the Clerk of the Bankruptcy Court, United States Courthouse, 515 Rusk Street, Houston, Texas 77002 and may be reviewed during regular business hours.

## Hearing on Approval of the Disclosure Statement

2. A hearing will be held on December 18, 1985 at 9:00 a.m., or as soon thereafter as counsel can be heard, before the Honorable T. Glover Roberts, United States Bankruptcy Judge, in Courtroom 1, United States Courthouse, 515 Rusk Street, Houston, Texas, to consider the Disclosure Statement and any objections or modifications thereto, and to consider any other matter that may properly come before the Bankruptcy Court at that time. Said hearing may be adjourned from time to time without further notice other than an announcement of the adjourned date or dates at the hearing or an adjourned hearing.

3. Objections or proposed modifications to the Disclosure Statement, if any, must be in writing and must be filed with the Bankruptcy Court, together with proof of service, and served on the following on or before December 6, 1985:
- (i) Continental Airlines Corporation  
2929 Allen Parkway  
Houston, Texas 77019  
Attention: Barry P. Simon, Esq.
  - (ii) Weil, Gotshel & Manges  
Attorneys for the Debtors  
767 Fifth Avenue  
New York, New York 10153  
Attention: Bruce R. Zlotoff, Esq.
  - (iii) Dodson, Babcock & Scollie  
Attorneys for the Unsecured Creditors  
4200 Interfirst Plaza  
Houston, Texas 77002  
Attention: William M. Schulz, Esq.
  - (iv) Bishop, Litterman & Cook  
Attorneys for the TXI  
Public Debt Holders' Committee  
1155 Avenue of the Americas  
New York, New York 10036  
Attention: Robert Miller, Esq.
  - (v) Booth, Marcus & Pierce  
Attorneys for the Union  
Labor and Pension  
Creditors' Committee  
79 Fifth Avenue  
New York, New York 10003  
Attention: Claude Montgomery, Esq.
  - (vi) Ervin, Cohen & Jessup  
Attorneys for the Non-Union  
Employees Creditors' Committee  
9401 Wilshire Blvd.  
Beverly Hills, California 90212  
Attention: Clifford Brown, Esq.
  - (vii) Andrews & Kurth  
Attorneys for the  
Institutional Creditors of  
Continental Air Lines, Inc.  
4200 Texas Commerce Tower  
Houston, Texas 77002  
Attention: Hugh M. Ray, Esq.

Time for Acceptance or Rejection of the  
Plan and Hearing on Confirmation of the Plan

4. Creditors and the equity security holders of the Debtors who are entitled to vote to accept or reject the Plan must do so on or before February 20, 1986. Information regarding the Plan and instructions for voting on the Plan will be mailed to all known creditors and the equity security holders of the Debtors in advance of the expiration of the time fixed for voting.

5. A hearing will be held on March 20, 1986 at 9:30 a.m., or as soon thereafter as counsel can be heard, before the Honorable T. Glover Roberts, United States Bankruptcy Judge, in Courtroom 1, United States Courthouse, 515 Rusk Street, Houston, Texas, to consider confirmation of the Plan and any other matter that may properly come before the Bankruptcy Court at that time. Said hearing may be adjourned from time to time without further notice other than an announcement of the adjourned date or dates at the hearing or an adjourned hearing.

6. Objections to confirmation of the Plan, if any, must be in writing and must be filed with the Bankruptcy Court, together with proof of service, and served on the persons set forth in paragraph 3 above on or before February 28, 1986.

7. The times fixed for voting to accept or reject the Plan, the hearing on confirmation of the Plan and objections to confirmation of the Plan may be rescheduled by the Bankruptcy Court in the event that the Disclosure Statement is not approved by the Court on or about December 18, 1985. Notice of the rescheduled date or dates will be provided by an announcement at the hearing on the Disclosure Statement (or an adjourned hearing on the Disclosure Statement), as well as in the materials sent to creditors and the equity security holders of the Debtors regarding voting on the Plan.

8. SPECIAL NOTICE to holders of 7 1/2% Convertible Subordinated Debentures issued by Texas International Airlines Capital N.V. and holders of Guaranteed Floating Rate Notes issued by Texas International Airlines Finance N.V. (collectively, the "Eurobonds").

Upon the approval of the Disclosure Statement by the Bankruptcy Court, the Plan, the approved Disclosure Statement and a ballot for voting on the Plan will be sent to all known holders of Eurobonds. Additionally, approximately one week after such approval, a further notice will be published advising holders of Eurobonds of the procedures for voting on the Plan and how they may obtain ballots and copies of the Plan and Disclosure Statement.

Dated: Houston, Texas  
October 18, 1985

WEIL, GOTSHEL & MANGES  
Attorneys for the Debtors  
767 Fifth Avenue  
New York, New York 10153  
(212) 310-8000

/s/ T. Glover Roberts  
United States Bankruptcy Judge  
United States Courthouse  
515 Rusk Street  
Houston, Texas 77002

New Issue  
December 4, 1985



This advertisement appears  
as a matter of record only.

## Haindl Finance B.V.

Amsterdam, Netherlands

### DM 150,000,000 Deutsche Mark Zero-Coupon Bonds of 1985/2000

Issue Price: 36 1/4%  
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Listing: Munich and Frankfurt am Main

### DM 100,000,000 7% Deutsche Mark Bonds of 1985/1997

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Interest: 7% payable annually on December 5  
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Baden-Württembergische Bank Aktiengesellschaft	Bank für Gemeinwirtschaft Aktiengesellschaft	Bank Leu International Ltd.
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## INTL. COMPANIES & FINANCE

# Barlow Rand sees the abolition of apartheid as essential for growth

BY ANTHONY ROBINSON IN JOHANNESBURG

BARLOW RAND, South Africa's largest industrial conglomerate, sent an upbeat message to the Johannesburg stock exchange recently when it reported a 23 per cent rise in turnover after one of the most difficult years even for the South African economy. Even the 3 per cent decline in earnings per share looked reasonable compared with the recession-hit profits of other big industrial groups.

The results implied that the outlook for industrials next year, when the economy is expected to grow by 3 per cent against a background of lower interest rates and higher government spending, might not be quite as gloomy as feared.

When added to other factors, like the decision to go ahead with the R4.8bn (\$1.78bn) Mossel Bay off-shore gas project, the results helped to spark off renewed interest in equities as an inflation hedge which has raised the JSE Industrials Index to new highs—albeit in terms of the inflation and depreciation-weakened rand.

There are two main reasons for Barlow Rand's relatively good performance in the year to September: its strong position in the mining sector and the early success of its recently acquired international arm, J. Bibby and Son. In effect, politics and rand depreciation have divided the economy clearly into winners and losers, and the winners are the mining sector and products like chrome and special alloy steels which have produced record results from the translation of export earnings into rand.

Barlow's gold, coal, chrome and other interests and its special alloys subsidiary Middelburg Steel account for around half the R709m group operating profits after interest, with Middelburg Steel, the star performer, turning in profits of around R55m after years of losses.

But it is Barlow's acquisition of Bibby last year, in the nick of time as it turned out, which has given the group a significant extra element of insulation from the vicissitudes of the stop-go South African economy.

Mr. Warren Clewlow, recently appointed as chief executive in place of Mr. Mike Rosholt, who remains chairman, has no doubt that if Barlow had not bought Bibby last year "it would have been impossible to do so now

Mr Warren Clewlow, Barlow Rand's new chief executive, says that bringing blacks fully into the economy is vital above all for the future growth of the currently depressed industrial side of the group's operations.



through acquisitions, which excite Mr Clewlow. "We have kept Bibby deliberately under-gearred so it can make sizeable new acquisitions, up to \$50m or so, without having to call on us as parent company to contribute. We are quite willing to see our holding diluted," he said.

Despite the strong performance of the mining sector and Bibby, the group as a whole has yet to break out of the pattern of static dividend payments and declining earnings per share over a five-year period in which turnover has virtually trebled to R12.24bn from R4.5bn in 1981. Earnings per share have declined over this period

from 204 to 185 cents, with the dividend unchanged at 70 cents. Prospects for the current year look more favourable. The rapid reduction in prime rate from 25 per cent to 16.5 per cent over the past six months will help. So will a reduction in recent high levels of capital expenditure.

But the real key to higher overall profitability is more dynamic growth in the two major non-mining sectors of Barlow Rand's domestic South African operations, the food sector and industrial interests. The food interests, gathered together under the C G Smith umbrella, effectively a conglom-

erate within a conglomerate, account for around 15 per cent of profits.

The cash injection from the sale of its 30 per cent stake in Bibby made sure that the Tiger Oats subsidiary did not suffer the same fate as the rival Premier Milling group, whose profits were decimated by higher interest charges and the perennially loss-making poultry division.

But real growth from this essentially stable area of Barlow Rand's activities will only come from higher black consumer purchasing power and the sort of radical political changes which could eventually make South Africa a major foodstuff supplier and processor

for the entire Southern African region.

Mr Clewlow is convinced that "ultimately South Africa will feed the sub-continent." But South Africa's apartheid image and destabilisation policies will have to change dramatically before that happens.

Like Mr Rosholt, the chairman, who is a leading business advocate of apartheid reform, Mr Clewlow is also convinced that "abolition of apartheid will impact favourably on Barlow Rand." Bringing blacks fully into the economy is vital for the growth of the currently depressed industrial side of Barlow Rand's operations. This is made up of the packaging, paint, building materials, earth-moving equipment and other construction-linked activities.

"At present fewer than 10m of South Africa's 27m people are economically active. By the end of the century, there will be 47m people. If the government abolishes influx control and opens up, as it is being urged to do, for a policy of orderly urbanisation, the potential growth is tremendous. Industries which are considered mature in Europe and the US are big potential growth areas for us, and Barlow Rand is geared to satisfy these demands," Mr Clewlow says. Only 10 per cent of the estimated 100,000 houses per year needed to dent the black housing backlog were built last year. To remedy this, Mr Clewlow has called for a drastic change in the pattern of state spending. "Every spare penny has to be channelled into black housing, education and training," he argues.

The group spent over R40m last year on its own training schemes, designed largely to raise the level of black skills at all levels. But at the same time it shed over 8,000, mainly black workers, due to the recession and rationalisation. However, the perception that apartheid is no longer good for business and that abolition is vital if the South African economy is to reach its full potential is one now deeply rooted in enlightened self-interest. It is because of this that the conversion of South African business in general to the cause of apartheid abolition carries a ring of conviction often lacking in the past.

### NEW ISSUE

These Notes have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States of America or to nationals or residents thereof. These Notes having been sold, this announcement appears as a matter of record only.

NOVEMBER 1985

U.S. \$100,000,000



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November 1985

## IKB Finance B.V.

Amsterdam, Netherlands



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July 10 1986



**IRELLI**

## UK COMPANY NEWS

## GEC profits below City forecasts

General Electric Company, which yesterday unveiled proposals to join forces with Plessey, the telecommunications and defence business, also reported a 13 per cent fall in half year pre-tax profits.

Profits to September 30 were £288m, compared to £332m for the corresponding period. A higher interim dividend of 1.4p (1.35p) is being paid, which is covered comfortably by unchanged earnings of 0.6p per share.

Brokers described the profit fall as disappointing. "These figures are well down on expectations and are not impressive at all," said one analyst. Another electronics analyst said: "GEC is not generating sufficient profits from internal growth."

They added that the results were one reason why GEC had simultaneously announced its desire to join up with Plessey.

"In sheer industrial logic it appears to make sense," said one broker. "These figures are the clearest indication that GEC needs to be much bigger if it is to compete effectively against the international giants such as Siemens and the Japanese."

Analysts had downgraded forecasts since GEC warned at its AGM last September that profits for the first four months were lower. But market expectations had ranged around £200m, while earnings beatish forecasts ranging around £200m.

GEC's shares, however, closed 12p higher at 136p reflecting a

	DIVISIONAL PERFORMANCE ANALYSIS				Change (%)
	Turnover	First half	1985/86	1984/85	
	(£m)	(£m)	(£m)	(£m)	
Electronic	577	564	77	108	+25.7
Telecoms	352	344	33	40	+17.5
Automation	230	215	20	19	+5.3
Medical	199	230	9	14	+35.7
Power gen.	303	297	29	26	+11.5
Electrical	377	351	19	11	+8.0
Consumer	154	135	14	11	+27.3
Distribution	108	111	6	6	+0.0
Associates	146	179	4	11	+63.6
Other	36	29	2	4	+4.4
Int. receivable	—	—	80	84	—
Total	2,782	2,794	289	332	-13.0

\* Less. † Includes subsidiaries and associates sold.

broadly favourable view on GEC's proposed new combination with Plessey.

Pre-tax profits fell in three of GEC's eight main divisions. In telecommunications and business systems, pre-tax profits were down from £40m to £33m. However, GEC said that its electronics division was expected to recover in the second half through the increasing rate of delivery of System X, the electronics switching system supplied to British Telecom.

Electronics systems and components also experienced a sharp drop in profits from £108m to £77m, while electrical equipment was static at £19m.

There were slightly brighter spots: consumer products profits

rose from £11m to £14m while power generation increased from £26m to £29m.

Even GEC's much criticised cash mountain, which analysts attributed to GEC's decision to buy back its shares, performed well. The UK pre-tax profits were down from £172m to £157m. In the US and South America, profits were cut from £43m to £26m, while elsewhere in Europe they were down from £17m to £10m.

GEC attributed the worldwide fall to several factors, other than the expected difficulties experienced in telecommunications. It said that Canadian

Marconi had seen profits cut by £22m due to a drop in orders, though there were signs of improvement.

In addition, Marconi Secure Radio, GEC's mobile and the Switchgear business revealed a £16m fall in pre-tax profits. A substantial unnamed order for Marconi Secure Radio, fell through after the company had failed to establish acceptable credit terms. GEC said the item had involved "considerable expenditure."

GEC said it was reorganising all three of these businesses at a substantial cost. Equally, the group said it was sharply increasing spending on research and development, particularly in opto-electronic devices and their applications.

GEC also said that results had been adversely affected by unfavourable exchange rates. These had reduced the sterling value of overseas activities by £11m compared to prevailing exchange rates at the end of September 1984. Gains through holdings of foreign currencies were also down by £10m.

Several analysts said yesterday that the recent rise of the pound against the dollar would not benefit GEC, which saw exports from the UK rise substantially from £588m to £604m. "The rise of sterling will make it even harder for GEC to compete in the international business these days," said one broker. "and telecommunications is an international business these days." See Lex

## LATEST TWIST IN WEINSTOCK'S MANOEUVRES

YESTERDAY'S merger proposal to Plessey is the latest twist in a remarkable history of GEC's acquisitions stretching back 20 years and stemming from the arrival at the company of Mr Arnold (now Lord) Weinstock in 1961.

In that year GEC took over Radio and Allied Industries, a small but highly successful radio and television manufacturer headed by Mr Michael Sobell and his son-in-law, Mr Weinstock. Within two years, Mr Weinstock had been appointed managing director of GEC, and began accelerating its growing profitability.

He was only 38, and while he came to GEC with a reputation as a good manager, his rise to the top was extraordinarily rapid.

GEC was one of the three leading British electrical engineering companies, together with Associated Electrical Industries (AEI) and English Electric (EE), but in some respects had been the least successful in the 1950s.

In the 1960s, however, this

position was reversed and in a remarkable burst of merger activity, GEC swallowed these two rivals in the late 1960s. It took over AEI in 1967 after a bitter battle (and after gaining support for a merger from the Labour Government's Industrial Reorganisation Corporation).

Two years later (and again with the backing of the IRC) it merged with EE, the largest of the three. This brought under the control of one company a large proportion of the UK heavy electrical engineering industry.

The 1970s were widely regarded as a "golden era" for the group, as it set about rationalising and strengthening electrical and electronics businesses. Return on capital employed rose from 8 per cent in 1970 to 27 per cent in 1982.

There were a substantial number of small disposals but these were outweighed by several major purchases. In 1974 GEC bought Schreiber, the furniture and domestic appliance manufacturer, while in 1979 it acquired A. B. Dick, a long established US reprographics maker for £100m, and

W. and T. Avery, the British weighing machine manufacturer, for £85m. The following year it bought Plessey International, the US medical electronics manufacturer, for £116m, but was defeated by Racal in a takeover battle for Deca.

Every year which was in considerable difficulties before being taken over, responded well to a classic GEC blend of reorganisation and firm management controls. And Plessey, which was merged with GEC's existing medical business, also did well. But Dick proved a disappointment. It emerged as a recession damaged business and its efforts to enter the market for electronic systems proved unjudged. Deep surgery was necessary.

Despite amassing a celebrated "cash mountain," acquisitions over the past five years have been relatively small in scale. However, it has been involved in abortive discussions about two potential major deals. In 1982 it emerged as the possible purchaser of a 40 per cent stake in AEG-Technik, a new company formed to combine

the capital goods, electronics and high technology products of AEG-Telefunken, the ailing West German company.

A stake in AEG would have given GEC a much stronger position in European markets, where its presence is surprisingly modest for a group of its size. However, any hope of a deal with AEG foundered on fears of West German workers that its involvement would mean heavy redundancies and concern among German industrialists that such a strategic stake should be held by a foreign company.

In June last year it made a merger approach to British Aerospace, which abruptly broke off talks the following month. The move was seen as a bid to take over a group of its size. In March this year, the group paid £34m to take control of the Arrow warship yard, on the River Mersey, which was part of the Government's privatisation programme.

## Atkins Bros. expands to £0.2m midway

The directors of Atkins Brothers (Hosiery) are looking for a deal to expand the group for the year ending March 31, 1986. Over recent years the company has added to its traditional business of manufacturing knitwear by moving into electronics.

For the first half to September 30 1985 the group has lifted its turnover from £8.31m to £9.52m and its pre-tax profit from £26,000 to £215,000.

All areas of the business are currently very busy, the directors state, and should this momentum be held throughout the first three months of 1986, then 1985-86 should produce a considerable improvement over the £312,000 of the previous year.

In order to redress the imbalance built up in recent years between dividend payments, the interim dividend has been raised from 1.35p to 1.7p net—last year's final was 4p.

Last April the group broadened its diversification into electronic design and engineering design technology with the acquisition of Carner Group, for a mixture of cash and shares.

The directors say that in the half year both the textile and electronic businesses have produced better figures, each area contributing profits attributable to shareholders of £11,000. After tax £24,500 (£38,000) and minorities £17,000 (£3,000) the net attributable profit for the six months is £41,500 (£41,000), earnings of 1.7p (1.35p) per share.

NEVI BALTIC, financial services group, has acquired Finance for Housing from Mr Robin Ellison for £250,000 cash. Finance for Housing was founded by Mr Ellison, and through its building trust, which is run as an unauthorised unit trust, it provides mortgages to borrowers at a low rate of interest. On disposal of the mortgaged property, the borrower surrenders a proportion of the increased value to the lender.

Good progress has been made in integrating SLEI into the ISC Group, and several joint marketing and development programmes are under way. It is anticipated that joint efforts between the International Group and SLEI will lead to additional inflows of international orders. At the same time SLEI has been successful in obtaining new orders from its existing customers.

Discussions are progressing well on a number of further programmes with both new and existing customers and the Directors view the outcome of the financial year with considerable confidence.

The Directors have declared an interim dividend of £0.012 per share (net of related tax credit) payable on 13th January 1986 to shareholders on the register at 20th December 1985. This interim dividend of 1.2 cents net per share represents a 20% increase over the 1.0 cent paid in respect of 1984/85.

International Signal & Control Group PLC  
England: 13 Park Place, St James's, London SW1A 1LP  
USA: 3700 Electronics Way, PO Box 3040, Lancaster, Pennsylvania 17604/3040.

## Hanson lifts stake in Bowater to over 10%

Hanson Trust, the acquisitive industrial holding company, has increased its stake in Bowater Industries, the paper group, from 8 to just over 10 per cent. Bowater is expected to announce details of the enlarged Hanson holding today.

Hanson first disclosed that it held a significant stake in Bowater in July when it revealed a 7.03 per cent holding. In September it increased its stake by nearly 1 per cent to the 8 per cent figure.

Bowater's shares rose 1p to 225p yesterday to value the Hanson holding at more than £30m. Hanson's shares fell 1p to 299p.

The revelation of the initial Hanson holding prompted stock market speculation that Hanson might be preparing a bid but Hanson described its purchases as a long-term investment.

Since revealing its initial purchase of Bowater shares Hanson has launched a takeover bid for SCM Corporation, the New York chemicals to typewriters group, worth \$920m.

This bid has since been stranded by a complex legal battle and city analysts do not expect Hanson to resume this activity in Britain until this conflict has been resolved.

In 1982 the then larger Hanson Trust reached agreement on a merger but Bowater's bid was dropped following a reference to the Monopolies Commission.

Bowater increased its pre-tax profit by £200,000 to £12.2m in the first half of 1985 to disappoint analysts who had been hoping for profits of around £16m. The company said however that it had put its large capital programme and costs related to the demerger of its North American activities largely behind it.

In a separate development Hanson believed to have taken a stake of just over 1 per cent in the shares of Babcock International, the engineering group. Babcock does not believe Hanson's intentions are hostile.

Guinness Peat, the financial services group which is bidding £212m for Britannia Arrow Holdings, yesterday concluded a deal to purchase the remaining 70.1 per cent in White and Cheesman, the stockbroker.

The deal has been arranged through its Guinness Mahon Securities offshoot. Completion of the purchase is expected to take place shortly after March 1, 1986.

White and Cheesman is a specialist market maker on the Stock Exchange in a wide range of Australian, Far Eastern, European and Irish stocks.

Mr Fraser Jennings, a director of Guinness Mahon and Co, will become an executive director of White and Cheesman, with responsibility for the development of the jobber's business in Europe. He will also be responsible for other special areas and related developments in the Guinness Mahon investment banking business.

Mr Douglas Fairman of White and Cheesman will join the board of Guinness Mahon Securities.

Park Place expands publishing side

Park Place Investments has conditionally agreed to purchase Mary Glasgow Holdings, which publishes language-teaching magazines for secondary schools. Consideration is £1.63m to be met by the issue of 771,648 ordinary shares in Park Place, and this represents 6 per cent of the enlarged capital. These shares were conditionally placed 388,765 of the shares on behalf of the vendors through the market.

In the year ended July 31 1985 Mary Glasgow generated sales of £3.04m—a substantial part is made on the Continent, particularly France—and pre-tax profits of £22,000; net assets stood at £1.35m including cash £535,000. The acquisition will increase the variety and content of published materials sold to the education market.

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corr. div.	Total last year	Total this year
Atkins Bros	1.75	Jan 20	1.35	—	5.35
Birmingham Mid	2	Jan 13	1.75	—	5.75
Brunning Group	2.1	Jan 7	2.1	—	4.9
CH Industrials	0.5	Dec 31	0.45	—	2.11
Century and New	1.6	Jan 31	0.5	—	1.5
GEC	1.7	Mar 29	1.35	—	4
Matthew Hall	1.51	Dec 31	0.68	—	3.94
International Signal Int	1.2	Jan 13	1	—	2.5
Leeds Group	4	—	3.25	6.25	5
Platent	1.33	—	0.93	—	2.8
Rashley	3.45	—	2.78	5.29	2.38
Toothill	3.3	—	3	—	7.5

\* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. Dividends shown pence per share net except where otherwise stated. § Unquoted stock. ¶ To reduce disparity. || US cents.

## Trafalgar trying to sell London Standard stake

BY MARTIN DICKSON

Trafalgar House, the engineering, construction and shipping group, yesterday reported a 25 per cent rise in full-year pre-tax profits from £113.2m to £142.5m. The company also confirmed speculation that it was considering selling its 50 per cent stake in the London Standard newspaper to the other joint owner, Associated Newspapers.

The results to end September 1985 were somewhat ahead of market expectations, which were pitched around £138m, although Trafalgar shares closed 9p lower at 389p.

Sir Nigel Brookes, Trafalgar's chairman said that the group did not believe 50/50 per cent ownership of the London Standard was good for the newspaper. Trafalgar had initially offered to buy out Associated Newspapers, but Associated replied by making a "rather inadequate offer" to buy out Trafalgar. "If they come up with a substantially better one, we will sell," Sir Nigel said.

Trafalgar is proposing a final dividend of 6.1p (5.3p), making an 11.5p total, up 15 per cent on last year's 10p. Turnover totalled £1.81bn compared with £1.6bn, while earnings per share rose from 30.6p to 34.7p, excluding extraordinary items and a profit sharing scheme.

Trafalgar has four divisions: property and investment; construction and engineering; shipping, aviation and hotels; and oil and gas.

The larger trading profit improvement was in the property division, with a rise from £29.5m to £56.3m. This activity was helped by a first time contribution from housebuilder, Comben Homes, which was acquired during the year, by better margins and a clearing out of stock.

Shipping, aviation and hotels profits rose to £21.7m (£18.7m). During the year the



Sir Nigel Brookes, Trafalgar's chairman... does not believe 50/50 ownership is good

group pulled out of fruit carrying and losses on the sale of air fruit carriers and associated redundancy payments accounted for the bulk of a £10.99m extraordinary charge (£14,000 credit). 50-74/8

Construction and engineering saw a profits decline from £47.5m to £41.36m. Sir Nigel said margins in the UK had been very fine and the offshore oil industry had been a weak market because of uncertainty over the details of the British Gas privatisation and the trend of oil prices.

Trafalgar's own oil and gas production division produced profits of £30.53m (£31.37m). Sir Nigel said Trafalgar had spent some £173m on direct asset investment in the past year, some £75m of it on oil and gas purchases.

"We are seeing some very

good oil opportunities in North America," he said and added "it is a depressed market for others, which makes it an opportunity for us."

Net borrowings at September 30 were £22.1m (£28.8m), equivalent to 13 per cent of shareholders' funds, which stood at £204.5m (£227.5m).

Asked about the group's 5.5 per cent stake in Davy, the engineering group, Sir Nigel said Trafalgar was satisfied with this level of trade investment and with the 50/50 joint venture set up between the two companies in North Sea engineering. "Our ambitions don't go beyond that."

## comment

Trafalgar House has rather run out of puff. The group is still scoring high points for management and for its orientation away from property but the 25% market's enthusiasm for Trafalgar's heavy investment in capital intensive energy and contracting has been dulled by the evidence of shrinking order books, thinner margins and declining Fortis redundancy payments accounted for the bulk of a £10.99m extraordinary charge (£14,000 credit). 50-74/8

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"We are seeing some very

## Acquisitions help Platon to 41% rise

THE two electronics acquisitions made last summer by Platon International are performing well, despite the problems in the sector, and a contribution from them is included in the 41 per cent profit rise shown at the halfway stage.

In addition, Mr Gilbert Platon, the chairman, says that the enlarged group's potential has been underlined by a major contract for ruggedised computer equipment worth more than £1m, and that further contracts are under negotiation in the fields of nuclear engineering, railway telecommunications equipment and desert irrigation.

The markets were initially impressed by the profit rise and the optimistic tone of the chairman's statement, marking the shares of this USM-quoted group up 2p. They later fell back to close at 160p, down 3p on the day.

The dividend for the period to September 30 1985 is raised by 0.5p to 1.35p on capital increased in the acquisitions, with earnings per share up at 4.16p (3.14p restated).

The interim taxable figure came to £25,500 (£21,400) on turnover £1.4m ahead at £2.85m. A profit of £33,000 (nil) from the design division—which includes one of the acquisitions—outweighed a £27,000 loss in the central finance holding company (£11,100 profit).

The manufacturing companies lifted profits from £78,000 to £86,700, but Mr Platon says that this side was inevitably affected by the removal to the new factory at the Viables Industrial Estate, Basingstoke, which was completed in October.

He adds that the new facilities are already proving of benefit to production and is confident that they will allow the second half to provide the traditional major part of the year's turnover.

## GrandMet offshoot sells tobacco company for £19m

BY PAUL TAYLOR IN NEW YORK

IN A deal worth \$28m (£18.9m) Liggett & Myers, the US cigarette group owned by Grand Metropolitan, has sold its Brazilian tobacco company to Dibrell Brothers of Virginia.

A separate agreement will eventually lead to the Brazilian unit being majority-owned by a subsidiary of BAT Industries.

Dibrell, itself a tobacco concern, said yesterday that it had agreed to sell a 70 per cent stake in the Brazilian company, Liggett & Myers do Brasil, to Companhia Souza Cruz Industria e Comercio, Brazil's largest tobacco company which is owned by BAT Industries.

The second stage of the deal is subject to the signing of a definitive agreement.

Dibrell Brothers, which has been the largest purchaser of tobacco from Liggett & Myers do Brasil, said its own Brazilian subsidiary, Verafumos, will

retain the remaining 30 per cent. The Virginia-based company said it will realise no material gain or loss as a result of the sale of the 70 per cent stake in Liggett & Myers do Brasil, which will be renamed Tabasco.

GrandMet has recently been expanding its non-tobacco operations in the US—acquiring Quality Care, an operator of home nursing services, at the start of this year and more recently, Pease Health Services—while attempting to scale back its tobacco interests there.

GrandMet has been seeking a buyer for Liggett & Myers, part of the Liggett Group acquired for \$370m five years ago for more than a year.

A planned management buy-out of L & M, the sixth largest US cigarette maker and a major manufacturer of generic cigarettes, collapsed last year.

## Offshore Mining Company Limited

U.S. \$150,000,000  
Guaranteed Floating Rate Notes due 1991

Unconditionally and irrevocably guaranteed by  
Her Majesty the Queen  
in right of New Zealand

In accordance with the provisions of the Notes, notice is hereby given that for the six months period December 4th, 1985 to June 4th, 1986, the Notes will carry a Rate of Interest of 8 3/4% per annum with a coupon amount of U.S. \$423.40.

Agent Bank

CHEMICAL BANK INTERNATIONAL LIMITED



NatWest announce that with effect from Monday, 9th December, there will be no charge for the following personal Current Account services:

- Cheques
- Direct Debits
- Standing Orders
- Servicetill/Rapid Cash Till Transactions
- Statements

Provided the account stays in credit throughout the charging quarter.

If the account is overdrawn during the quarter, there will be a 25p charge for every Cheque, Direct Debit, Standing Order, Servicetill and Rapid Cash Till Transaction. Plus an account maintenance charge of £3 per quarter, interest on the amount overdrawn, and any arrangement fees that might be incurred.

For further details, pick up a leaflet from any NatWest branch.  
National Westminster Bank PLC, 41 Lothbury, London EC2P 2BP.



## Ultramar spends C\$120m acquiring Gulf Canada

BY DOMINIC LAWSON

Ultramar, the UK independent oil company, is paying C\$120m (£58m) for the oil refining and marketing assets of Gulf Canada in Quebec and the Atlantic provinces. The deal will be funded from the company's large unused lines of credit.

In August, Ultramar broke off discussions over the deal with Olympia and York Development, the Canadian company which controls Gulf Canada. The price agreed is believed to be lower than that originally demanded.

The deal marks the latest of several steps by Ultramar over many years to build a major refining and marketing business in Canada. In 1983 it upgraded the refinery which it built in Quebec in 1971. The Gulf Canada deal is designed mainly

to provide outlets for that refinery. The assets being acquired include 375 service stations, as well as cash and net current assets of about C\$30m.

Ultramar markets at the moment about 25,000 barrels a day of oil products in Quebec, Newfoundland and Ontario. Gulf was selling about 34,000 b/d in Quebec and the Atlantic Provinces. Following this acquisition Ultramar will be Quebec's leading retailer of gasoline.

Ultramar said yesterday that "there would be substantial economies of scale, both at the Quebec refinery and in the UK independent oil companies, through the combined network."

Mr David Elton, a director of Ultramar, said that the Gulf Canada assets would generate

cashflow over the next three to four years equivalent to the cost of the purchase.

He conceded that Canadian oil marketing and refining was a mature area, but added: "One can make money in mature businesses if you have a good brand."

Ultramar will also be spending about C\$13m converting the Gulf chain to the Ultramar name.

Mr Elton said that Ultramar's future expansion would be concentrated on oil exploration and production, particularly in the US and the UK. Concerning the possibility of taking over other UK independent oil companies, Mr Elton said: "We are reviewing the situation continually."

Ultramar's share price gained 5p to close at 205p.

## Two further acquisitions by Connells for £3m

ACQUISITIONS in 1985 have resulted in Luton-based Connells Estate Agents, expanding its residential offices by 55 per cent from 27 to 42 and more than doubling its commercial offices from five to 11.

The most recent purchases were announced in the last two days. On Monday it bought the Brighton-based Brian Dodd and Co for £533,000 and yesterday it acquired Wilson & Partners, based in Northampton, for a consideration equivalent to about £2.6m.

The price for Dodd was met by £253,000 cash and the balance in shares. In the year to end of July 1985 the company, which has assets of £133,000, made profits of about £90,000.

The consideration for Wilson, a surveyor, valuer, investment and development consultant, with branches throughout the northern home counties and south Midlands, will be met initially by £700,000 cash and 461,538 shares. The balance will be paid in shares during 1986 based on the profitability of its commercial operations during 1985.

Wilson's taxable earnings grew from £162,000 in 1981 to £457,000 in 1985 from fee income which rose from £598,000 to £1.8m.

Mr John Simson, Connells's chairman, said that the Wilson acquisition gives the group a dominant position in the area of strong economic growth contained in the M1 corridor between London and Leicester.

Connells came to the market in March 1984 offering a little more than 5m shares at 120p each. In October this year Legal and General Group took an 8 per cent stake in the company. The shares closed at 172p, up 4p on the day.

### Rosehaugh debenture

Rosehaugh Greycoat Estates is placing £40m nominal of first mortgage debenture stock 2014, payable as to £40 per £100 nominal by November 29 1985, and the balance by February 28 1986.

### Bahamas stake lifts Moss Bros shares

Shares in Moss Bros, the clothing store and hire chain, rose 5p to 580p last night after the announcement that Davrow, a Bahamas based company controlled by Mr David Rowland of Monaco, had acquired a holding of 185,000 shares, or 5.12 per cent.

Mr Rowland was a controversial figure in the early 70s when he made his reputation in the property and shares markets, and later in the decade with a series of moves in the London casino business.

REDPATH INDUSTRIES, a Canadian subsidiary of Tate & Lyle, reports a 17 per cent increase in taxable income to C\$45.5m (£19m) against C\$38.8m for the year to end-September, 1985.

Profit from automotive, industrial and construction products activities was greater than the sugar division's. Total revenues were up from \$372m to \$444m. Donlee Manufacturing Industries was the main contributor to the increased non-sugar profits, while competitive conditions in the US sugar industry adversely affected refined sugar results, the directors state.

PREMIER Consolidated Oilfields has received acceptances in respect of 2.38m (98.40 per cent) of the ordinary shares in Reeky Mosses Oil. The offer has now become unconditional and remains open.

## Overall rise lifts RHM to £72m

Ranks Hovis McDougall checked into the City yesterday with 1984-85 profits some £15m higher than the top end of analysts' forecasts.

With nearly all sectors of the group's business showing substantial trading improvements pre-tax profits for the 12 months ended August 31 surged from a restated £50.7m to a record £71.5m, an improvement of 41 per cent.

The final dividend is being lifted to 3.45p, giving shareholders a 21.4 per cent increase in their total to 5.29p net per share.

In the UK good profits were recorded by the flour milling, grocery and general product divisions and the packaged cake business turned in good profits—in line with the previous year.

Overseas trading profits increased by 88 per cent, with a very substantial "turnaround in the US."

The group manufactures, processes and markets food under such names as Mothers Pride, Nimble, Hovis, Bisto and Atora. The past year saw its external sales rise from £1.21bn to £1.31bn

and its trading profits by £19.4m to £75.8m.

The associates chipped in £0.4m more at £1.8m and interest costs were cut by £1m to £5.9m. Tax took £23.2m (£14.4m) to leave net profits at £58.3m, compared with £36.3m. There were also minorities of £3.6m (£2m) and extraordinary debits of £10.5m (£9.9m).

Available profits emerged at £34.2m (£24.4m) and earnings at 15.7p (12.2p) per 25p share. Dividends will absorb £15.2m (£12.5m). The return on funds was 17 per cent (13 per cent).

The current year has got off to a good start and Sir Peter Reynolds, the chairman, expects another satisfactory outcome. He points out, however, that this year's bad wheat harvest makes it difficult to forecast but adds that some price increases have already been made.

British Bakeries is benefiting from the rationalisation and heavy investment programme embarked upon some four years ago.

The basis of translating overseas earnings has been changed from year-end to average exchange rates and comparative results have been restated



Sir Peter Reynolds, chairman of Ranks Hovis McDougall

accordingly. The effect of the change increased 1984-85 pre-tax profits by £2.7m and reduced those of the previous year by £0.4m.

The group's shares closed 4p

lower yesterday at 178p after rising to 154p at one stage.

### comment

These figures were flattered—to the tune of £2.7m—by a transition to average exchange rates for the translation of foreign earnings; even so, this was a good performance with RHM's pre-interest margins up a point and its return on its milling and baking assets up to the best practice set by AB Foods. The prospect of RHM baking at a profit continues to recede with price increases on bread vanishing in retailers' discounts; but milling margins have been restored by the October price rise to compensate for this year's quite dismal harvest. The recovery in the US has been substantial. The share price fell 6p to 178p on a day when most stocks were recovered with other things; but a multiple of 10 times next year's expected earnings—harvest permitting—recognises RHM's emancipation in the sector. However, this is a long way from a growth rating for a company that continues to cover its small acquisitions out of cash-flow.

## Birmingham Mint profits surge

BIRMINGHAM MINT Group fulfilled expectations of strong first half results by achieving a 72 per cent rise in pre-tax profits in the six months to September 30 1985 from £113,000 to £172,000.

Turnover rose nearly 14 per cent from £9.82m to £11.15m. An increased interim dividend of 2p per ordinary share is being paid, compared with 1.75p last year, adjusted for the scrip issue.

Earnings per share for the period were 7.2p (5p).

The group says the improvement in margins was particularly evident at Birmingham Mint Products which makes coins for foreign countries and tokens for such things as parking meters. This subsidiary was helped by the £12m order to supply India with 500m rupee coins, which falls entirely into this year.

J. R. Gaunt, which makes badges and buttons for uniforms, and Electro-Precision Components, manufacturer of precision metal contacts for electrical switches, also performed satisfactorily. However, profits were lower at the metal pressings subsidiary.

Prospects for the second half continue to be encouraging and the directors expect to report further progress at the year end.

### comment

Birmingham Mint's profits growth is mainly attributable to the coin minting operation itself, where an order for 500m coins from the Indian Government has brought higher margins than were available on the bulk supply of coin blanks to other mints. It has also enabled the plant to run at full

capacity for the first time in many years. Elsewhere the performance has not been so strong: Electro-Precision Components has made some progress, but its margins are still marginally negative and the pressings division hardly made profits at all. The second half will see the Indian contract in for a full six months instead of three, putting profits of £1.5m within easy reach for the year but, after that, much seems to hang on whether India renews its contract for a second year and on the likelihood of improving the performance of the smaller off-shoots. With the shares up 5p at 125p, the prospective p/e ratio is 9 after a 42 per cent tax charge, a rating probably sustained more by speculation over what is going to happen to Comba Holding's 9 per cent stake than by faith in the underlying performance.

## Toothill looks for slight rise in current year

R. W. Toothill, a furniture maker based in Co Durham, expects that results for the 1985-86 year will be a little better than the depressed £305,000 reported last year.

This was announced along with the half-year outcome to end-September, which show a slight increase in taxable profits at £121,000 (£112,000), on turnover, excluding VAT, of £2.03m (£1.98m).

It is encouraged by the initial progress of this product and believes that it will ultimately make a worthwhile contribution to earnings. The interim dividend is increased from 3p to 3.5p, with earnings per share up from 8.43p to 10.56p after a tax charge of £45,000 (£53,000).

# Ranks Hovis McDougall profits up by 41% to £71.5 million

\* Profits again a record \* Earnings and dividend up

### Profits increased by £20.8 million

The Group's profit before taxation for the financial year to 31 August 1985 increased by £20.8m to a record level of £71.5m, a rise of 41 per cent. External sales increased from £1,213m to £1,314m.

The increase over the profits achieved in 1983/4 further reflected the substantial trading improvements made in nearly all sectors of the Group's business. In the United Kingdom good profits were recorded by our flour milling, grocery and general products divisions and our packaged cake business reported good profits in line with the previous year. British Bakeries are benefiting from the rationalisation and heavy investment programme embarked upon some four years ago.

### Overseas trading profits increased by

88 per cent and it was encouraging to note the very substantial turnaround in the United States. Despite difficult trading conditions in the Pacific region, an increase in profits was once more achieved.

### Final Dividend Increased

The directors recommend a final dividend of 3.45 pence per ordinary share, an increase of 25 per cent over last year's final dividend. With the interim dividend already paid, dividends total 5.29 pence per share, making an increase of 21.4 per cent in the total dividends for the year.

### Outlook

Chairman, Sir Peter Reynolds, said:

"This year's bad wheat harvest makes it difficult to forecast the outcome for the current year although some price increases have already been made. Otherwise we have made a good start and I expect to be reporting another satisfactory year."



Results in brief	1985	1984
External sales	£1,314m	£1,213m
Profit before taxation	£71.5m	£50.7m
Funds employed	£491m	£474m
Return on funds employed	17.0%	13.0%
Net tangible assets per Ordinary share	96.6p	92.5p
Earnings per Ordinary share	15.7p	12.2p
Dividends per Ordinary share	5.29p	4.356p

\* The basis of translating profit and loss accounts in overseas currencies has been changed for 1984-5 from year-end to average exchange rates. Comparative figures have been restated accordingly.



RANKS HOVIS MCDUGALL PLC

The 1985 Annual Report will be available from 27 December. If you wish to have a copy please write to: The Secretary, Ranks Hovis McDougall PLC, P.O. Box 178, Alma Road, Windsor, Berks SL4 3ST

# Matthew Hall

Public Limited Company

INTERNATIONAL ENGINEERING DESIGNERS AND CONTRACTORS

## Interim Report

Group results for the nine months to 30 September 1985

	9 months to 30 Sept 85 £000	30 Sept 84 £000	Year to 31 Dec 84 £000
Turnover	294,964	271,203	382,769
Profit on trading Oil, gas, chemical and mining Mechanical and electrical	4,281 4,180	3,127 3,859	4,161 5,348
Interest receivable (net)	8,461 2,909	6,986 3,553	9,509 4,736
Profit on ordinary activities before taxation	11,370 (5,310)	10,539 (5,401)	14,245 (7,333)
Taxation charge for the period			
Profit on ordinary activities after taxation	6,060 6	5,138 (1)	6,912 (2)
Outside shareholders' interests			
Profit attributable to shareholders	6,054	5,139	6,914
Ordinary dividends	1,150	461	2,692
Earnings per share	8.73p	7.52p	10.11p

Notes:  
1 The nine months' results for both years are unaudited. The results for the year 1984 shown above are an abridged version of the audited accounts of that year which have been delivered to the Registrar of Companies; the Report of the Auditors was unaudited.  
2 Earnings per share are based on profit attributable to shareholders and 68,362 million shares (as increased by the one for one capitalisation issue on 7th June 1985) in issue up to 22 August 1985 and 72.18 million shares thereafter following the acquisition of The IDC Group plc.

## Salient Points from the Interim Report to Shareholders

- Pre-tax profit for nine months up 8%. Further growth anticipated with full year profit of £15.75 million - an increase of 10.5%.
- Interim dividend of 1.5p per share to reduce disparity between dividend payments.
- Oil, gas, chemical and mining activities satisfactory in the UK and Holland but disappointing results from the USA.
- Continued growth in mechanical and electrical sector.
- Acquisition of The IDC Group completed. The combined skills of Matthew Hall and IDC augur well for the future.

Matthew Hall PLC

Matthew Hall House, 7 Baker Street, London W1M 1AB

Telephone: 01-595 5384 Telex: 29441











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## LONDON STOCK EXCHANGE

## MARKET REPORT

## GEC move for Plessey restores confidence after early extension of recent slide

Account Dealing Dates  
 \*First Declared Last Account  
 Dealings from Dealings Day  
 Nov 11 Nov 21 Nov 22 Dec 2  
 Nov 23 Dec 5 Dec 6 Dec 16  
 Dec 9 Dec 19 Dec 20 Jan 6  
 \*New-time\* dealings may take  
 place from 9.30 am two business days  
 earlier.

Considerable excitement and  
 scenes of intense activity in the  
 Electrical sector were generated  
 midway through the afternoon  
 by the GEC proposal to Plessey.  
 Prior to the announcement, the  
 overall equity market mood had  
 been one of uncertainty with  
 many leading stocks threatening  
 to match the sharp losses of the  
 previous session.

On news of the tentative offer  
 of 160p per share, Plessey's share  
 price rose sharply, trading to  
 close 38 up at 174p. GEC, which  
 minutes earlier had reported  
 dismal half-year profits, re-  
 bounded from 164p to end a net  
 12 higher at 136p. The leading  
 industrial shares also benefited and  
 the FT Ordinary share index  
 regained an earlier fall of 13.6  
 to settle with a gain of 3.9 on  
 the day at 1128.3. The strength  
 of constituents Plessey and GEC  
 added over 12 points to the  
 index.

Earlier, there had been a  
 further attempt by jobbers to  
 squeeze out fresh sellers after  
 Monday's shake-out. The  
 manoeuvre failed as investors  
 began to take advantage of the  
 cheaper prices, while underwriting  
 of the large Cable and sup-  
 ply offer-seller was being  
 effected. This was completed  
 later but in the meantime the  
 market came under renewed  
 pressure on reports of further  
 institutional fund-raising.

The FT-SE 100 share index fell  
 nearly 16 points further quickly  
 but it recovered to end 10  
 after the GEC move to end only  
 2.8 lower on the session at  
 1115.6. A surprising rally in Far  
 Eastern stocks, despite a  
 market influence to the con-  
 trary, was a steady factor.  
 The Singapore market fell  
 for reasons of further  
 Government securities were  
 gradually affected by sterling's  
 easier trend against the dollar.  
 In the absence of a major  
 offset, prices drifted lower with  
 the accent on longer maturities.  
 Selected ultra-long issues gave  
 up as much as 10p, while  
 away from the lowest rate in the  
 official trade. The shorts lost  
 amounts ranging to 1, while  
 index-linked stocks suffered ter-  
 red changes in both directions.

Composites down  
 Quietly dull conditions pre-  
 vailed in Insurance. Composites  
 were particularly vulnerable and  
 sustained double-figure falls in  
 places. Royal Sun Alliance fell  
 75p and General Accident lost  
 13 to 705p. Sun Alliance gave up  
 8 at 545p, as did GEC at 735p.  
 Clearing banks also fell, sup-  
 ported by Lloyd's cheapened 5  
 to 478p, as did Midland to 435p.  
 NatWest also finished 5 off at  
 678p.

The two newcomers to the  
 Unlisted Securities Market staged  
 bright debuts. Specialist plastics  
 manufacturer Dialekt closed at  
 135p compared with the placing  
 price of 125p, while J. S. Pathe-  
 box, placed at 160p, opened at  
 170p and advanced to 185p.  
 Allied Lyons, still reflecting  
 fears that the unwelcome bid  
 from Elders IXL could be  
 referred to the Monopolies Com-  
 mission, closed at 233p before  
 closing a penny lower on balance  
 at 236p. Distillers, meanwhile,  
 gave up a couple of pence to  
 500p, after picking up a steady  
 further developments following  
 the board's strong rejection of  
 Argill's offer, the latter closed  
 6 off at 342p, after 33p.  
 Leading Building issues sus-  
 tained further modest falls.  
 Tarmac were dull and closed 8  
 down at 374p; the company has  
 been mentioned as a possible bid-  
 der for English China Clays.  
 Elsewhere, SGB gave up 8 at  
 258p following press comment  
 advising acceptance of the BEI  
 bid for the company.  
 ICI were a relatively quiet  
 market and, after easing to 708p,  
 subsequently picked up to close  
 5 dearer on balance at 715p.  
 Among other Chemicals, British  
 Benzol continued to attract  
 speculative buying on shell opera-  
 tions and hopes and firmed 2 more  
 to 44p.

BHS volatile  
 Rumours of an impending  
 Sears counter-bid for British  
 Home Stores prompted further  
 intense activity in the latter's  
 shares which moved between  
 extremes of 420p and 412p  
 before closing the day a net 10  
 higher on balance at 422p; Sears  
 cheapened a few pence to 111p.  
 Habitat, Mothercare, meanwhile,  
 reflected doubts about its agreed  
 merger with BHS and fell 16 to  
 518p. Other Store leaders  
 retreated sharply with sentiment  
 reflected doubts about the  
 October sales statistics. Burton  
 relinquished 12 to 545p as did  
 Woolworths to 556p, while Marks  
 and Spencer fell 10 to 250p after  
 246p. Secondary issues were  
 also generally dull with the  
 recently firm mail orders lower  
 by as much as 10p, while  
 away from the lowest rate in the  
 official trade. The shorts lost  
 amounts ranging to 1, while  
 index-linked stocks suffered ter-  
 red changes in both directions.

FT-ACTUARIES SHARE INDICES  
 These indices are the joint compilation of the Financial Times,  
 the Institute of Actuaries and the Faculty of Actuaries

Equity Groups  
 & Sub-sections  
 Figures in parentheses show number  
 of stocks per section

FT-SE 100 SHARE INDEX  
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## FINANCIAL TIMES STOCK INDICES

	Dec. 3	Dec. 2	Nov. 29	Nov. 28	Nov. 27	Nov. 26	Nov. 25
Government Securities	85.96	85.96	85.81	85.93	85.93	85.93	85.93
Fixed Interest	85.96	85.96	85.81	85.93	85.93	85.93	85.93
Ordinary	1115.6	1115.6	1114.9	1115.0	1115.0	1115.0	1115.0
Ord. Div. Yield	4.37	4.36	4.30	4.32	4.30	4.32	4.34
Earnings, Yld. 4-fall	10.85	10.84	10.88	10.74	10.70	10.76	11.08
P/E Ratio (incl. 1-fall)	11.38	11.38	11.59	11.49	11.52	11.46	11.10
Total bargains (est.)	31,255	26,864	26,160	25,908	25,521	24,847	25,884
Equity turnover (est.)	477.63	490.17	532.38	581.54	659.96	611.60	
Equity bargains	24,864	22,508	25,334	27,868	34,627	34,975	
Shares traded (mbl.)	220.7	240.4	287.2	280.7	300.4	478.5	

10 am 1121.0, 11 am 1125.2, Noon 1119.5, 1 pm 1113.1,  
 2 pm 1114.1, 3 pm 1126.4, 4 pm 1121.1.  
 Day's High 1128.9, Day's Low 1110.8.  
 Basis 100 Govt. Secs, 15/10/26, Fixed Int. 1928, Ordinary 1/7/35.  
 Gold Mines 12/9/55, SE Activity 1974.  
 Latest Index 01-26 8025.  
 \* Nil to 10.36.

## HIGHS AND LOWS S.E. ACTIVITY

	1985	Since Completion	Dec. 2	Nov. 29
Govt. Secs.	84.97	78.02	127.4	49.18
Fixed Int.	85.96	82.17	150.4	50.83
Ordinary	1115.6	911.0	1146.9	49.4
Gold Mines	558.9	217.8	75.7	18.7

offer. Late demand lifted  
 Amstar 6 to 200p.  
 Wire and Plastic responded  
 fresh to news of the Satchi  
 and Satchi 10 per cent stake  
 with a further gain of 13 at  
 303p making a two-day rise of  
 53. Manthorpe, in contrast,  
 reflected disappointment with  
 the annual profits indication  
 which accompanied the third  
 quarter figures, and fell 14  
 before settling 13 down on the  
 day at 162p. Victor Products  
 came to life with a rise of 14  
 at 120p, while Birmingham Mid-  
 land moved up 5 to 125p on  
 the interim figures. On the other  
 hand, profit-taking clipped 5  
 from recent speculative favourite  
 United Biscuits fell 17 to 256p,  
 a two-day loss of 22, on fears that  
 another bidder may emerge for  
 Imperial Group and thwart the  
 proposed United Biscuits/  
 Imperial Group merger. Imps  
 closed 6 off at 234p, after 231p.  
 A fresh bout of profit-taking hit  
 other leading food shares. Tate  
 and Lyle, annual results due on  
 December 11, gave up 16 to 562p,  
 while Asda Schweppes touched  
 154p in reply to annual

profits well in excess of market  
 expectations before easing back  
 to close 4 cheaper on balance at  
 175p. Among Retailers, ASDA  
 reacted to 148p prior to  
 closing 2 down at 152p, while Dec  
 Corporation lost 10 to 275p ahead  
 of tomorrow's interim results.  
 Elsewhere, Jack Israel gained 11  
 to 26p in reply to the good half-  
 year figures, but recently-firm  
 Hazwood came back 33 to 815p.

## MONTHLY AVERAGES OF STOCK INDICES

	November	October	September	August
Government Securities	85.97	84.15	85.58	85.44
Fixed Interest	85.97	84.15	85.58	85.44
Ordinary	1099.3	1034.2	1002.8	973.6
Gold Mines	558.9	217.8	75.7	18.7
Total	26,560	26,560	21,511	21,116

## EUROPEAN OPTIONS EXCHANGE

Series		Vol.	Feb.	Mar.	Apr.	May	Jun.
GOLD C	8320	3	15				
GOLD G	8340	11	4,500				
GOLD P	8300	3	5				
SILVER C	8580	50	5,600				
Dec.							
SILVER G	8600						
SIFL C	FL780	2	6				
SIFL G	FL785	168	3				
SIFL P	FL780	1	1,10				
SIFL P	FL795	65	0,20				
SIFL P	FL785	1	1,05				
SIFL P	FL775						
SIFL P	FL780	105	1,05				
SIFL P	FL790						
SIFL P	FL780	182	6				
SIFL P	FL795	137	10,80				
SIFL P	FL790	81	19,50				
SIFL P	FL795	13	94,50				
SIFL P	FL780	3	35,50				
SIFL P	FL785	2	28,50				
SIFL P	FL745						
Jan.							
AMRO C	FL740	345	8,40				
AMRO P	FL690	391	5,90				
AMRO P	FL700	400	2,80				
AMRO P	FL710	149	4,80				
AMRO C	FL720	342	31,00				
AMRO G	FL715	48	1,10				
AMRO C	FL710	182	4,50				
AMRO C	FL730	1339	7,40				
AMRO C	FL730	8	2,80				
AMRO P	FL730	686	2				
AMRO C	FL705	7	0,70				
AMRO P	FL700	400	2,80				
GIST C	FL750	166	7,70				
GIST P	FL800	144	8				
GIET P	FL750	1	1,10				
GIET P	FL800	590	3				
HOOG C	FL715	705	1,12				
HOOG P	FL715	1059	0,80				
KLAM C	FL750	265	4,40				
KLAM P	FL750	1	1,10				
NEDL C	FL700	438	7,50				
NEDL P	FL700	143	6				
NATN C	FL750	118	2,15				
NATN P	FL760	118	2,30				
PETR C	Fr.7500	14	95				
PHIL C	FL790	836	6				
PHIL P	FL790	2,50	2,50				
RD C	FL750	240	1,80				
RD C	FL790	499	4,60				
RD C	FL790	118	0,50				
RD C	FL790	598	3,50				
RD C	FL790	798	1,10				
ROBE C	FL77,50	1	1,30				
ROBE P	FL800						
UNIL C	FL800	218	13				
UNIL P	FL800	207	7,50				
TOTAL VOLUME IN CONTRACTS: 4							
A=Ask		B=Bid					

Issues. A list of constituents is  
NBV, price 15p, per stock 20p.



مکالمات

CANADA

Stock					Stock					Stock					Stock				
High	Low	Close	Chng		High	Low	Close	Chng		High	Low	Close	Chng		High	Low	Close	Chng	
TORONTO																			
Prices at 2:30pm																			
December 3																			
2725	AMCA Int	\$15 1/2	15 1/2	15 1/2	350	GOATS B I	35 1/2	35 1/2	35 1/2	3729	Lumines	117 1/2	117 1/2	117 1/2	25640	Stomberg A I	\$23 1/2	23 1/2	23 1/2
1700	Aberford	\$18 1/2	18 1/2	18 1/2	2520	CGM Gas	32 1/2	32 1/2	32 1/2	4006	MSR Ex	315	310	310	11680	Sabote A	\$23	23	23
100	Acklands	\$18 1/2	18 1/2	18 1/2	2520	Com Glass	31 1/2	31 1/2	31 1/2	707	McLean H X	19 1/2	19 1/2	19 1/2	11680	Sabote B	\$20	20	20
7550	Alconia E	\$19 1/2	19 1/2	19 1/2	3344	CTI Bank	31 1/2	31 1/2	31 1/2	1153	Macman	118 1/2	118 1/2	118 1/2	250	Talor E	\$18	18	18
32545	Alconia F	\$19 1/2	19 1/2	19 1/2	3344	Crestek R	27 1/2	27 1/2	27 1/2	1425	Macman A I	320	320	320	78018	Tec B	\$18 1/2	18 1/2	18 1/2
32545	Alconia G	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Martine	315	315	315	13086	Tera	\$20	20	20
32545	Alconia H	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	1425	Macman A I	320	320	320	5300	Tonm B A	\$23 1/2	23 1/2	23 1/2
32545	Alconia I	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru A	\$23 1/2	23 1/2	23 1/2
32545	Alconia J	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru B	\$23 1/2	23 1/2	23 1/2
32545	Alconia K	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru C	\$23 1/2	23 1/2	23 1/2
32545	Alconia L	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru D	\$23 1/2	23 1/2	23 1/2
32545	Alconia M	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru E	\$23 1/2	23 1/2	23 1/2
32545	Alconia N	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru F	\$23 1/2	23 1/2	23 1/2
32545	Alconia O	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru G	\$23 1/2	23 1/2	23 1/2
32545	Alconia P	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru H	\$23 1/2	23 1/2	23 1/2
32545	Alconia Q	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru I	\$23 1/2	23 1/2	23 1/2
32545	Alconia R	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru J	\$23 1/2	23 1/2	23 1/2
32545	Alconia S	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru K	\$23 1/2	23 1/2	23 1/2
32545	Alconia T	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru L	\$23 1/2	23 1/2	23 1/2
32545	Alconia U	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru M	\$23 1/2	23 1/2	23 1/2
32545	Alconia V	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru N	\$23 1/2	23 1/2	23 1/2
32545	Alconia W	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru O	\$23 1/2	23 1/2	23 1/2
32545	Alconia X	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru P	\$23 1/2	23 1/2	23 1/2
32545	Alconia Y	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru Q	\$23 1/2	23 1/2	23 1/2
32545	Alconia Z	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru R	\$23 1/2	23 1/2	23 1/2
32545	Alconia AA	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru S	\$23 1/2	23 1/2	23 1/2
32545	Alconia AB	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru T	\$23 1/2	23 1/2	23 1/2
32545	Alconia AC	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru U	\$23 1/2	23 1/2	23 1/2
32545	Alconia AD	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru V	\$23 1/2	23 1/2	23 1/2
32545	Alconia AE	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru W	\$23 1/2	23 1/2	23 1/2
32545	Alconia AF	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru X	\$23 1/2	23 1/2	23 1/2
32545	Alconia AG	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru Y	\$23 1/2	23 1/2	23 1/2
32545	Alconia AH	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru Z	\$23 1/2	23 1/2	23 1/2
32545	Alconia AI	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AA	\$23 1/2	23 1/2	23 1/2
32545	Alconia AJ	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AB	\$23 1/2	23 1/2	23 1/2
32545	Alconia AK	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AC	\$23 1/2	23 1/2	23 1/2
32545	Alconia AL	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AD	\$23 1/2	23 1/2	23 1/2
32545	Alconia AM	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AE	\$23 1/2	23 1/2	23 1/2
32545	Alconia AN	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AF	\$23 1/2	23 1/2	23 1/2
32545	Alconia AO	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AG	\$23 1/2	23 1/2	23 1/2
32545	Alconia AP	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AH	\$23 1/2	23 1/2	23 1/2
32545	Alconia AQ	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AI	\$23 1/2	23 1/2	23 1/2
32545	Alconia AR	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AJ	\$23 1/2	23 1/2	23 1/2
32545	Alconia AS	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AK	\$23 1/2	23 1/2	23 1/2
32545	Alconia AT	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AL	\$23 1/2	23 1/2	23 1/2
32545	Alconia AU	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AM	\$23 1/2	23 1/2	23 1/2
32545	Alconia AV	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AN	\$23 1/2	23 1/2	23 1/2
32545	Alconia AW	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AO	\$23 1/2	23 1/2	23 1/2
32545	Alconia AX	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AP	\$23 1/2	23 1/2	23 1/2
32545	Alconia AY	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AQ	\$23 1/2	23 1/2	23 1/2
32545	Alconia AZ	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AR	\$23 1/2	23 1/2	23 1/2
32545	Alconia BA	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AS	\$23 1/2	23 1/2	23 1/2
32545	Alconia BB	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AT	\$23 1/2	23 1/2	23 1/2
32545	Alconia BC	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AU	\$23 1/2	23 1/2	23 1/2
32545	Alconia BD	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AV	\$23 1/2	23 1/2	23 1/2
32545	Alconia BE	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AW	\$23 1/2	23 1/2	23 1/2
32545	Alconia BF	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AX	\$23 1/2	23 1/2	23 1/2
32545	Alconia BG	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AY	\$23 1/2	23 1/2	23 1/2
32545	Alconia BH	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru AZ	\$23 1/2	23 1/2	23 1/2
32545	Alconia BI	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru BA	\$23 1/2	23 1/2	23 1/2
32545	Alconia BJ	\$19 1/2	19 1/2	19 1/2	1416	Coastal Ltd	11 1/2	11 1/2	11 1/2	830	Mc Intyre	315	315	315	18914	Tru BB	\$23 1/2	23 1/2	23 1/2
32545	Alconia BK	\$19 1/2	19 1/2	19 1/2	1416														

**Nasdaq national market 2.30pm prices**

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**Chief price changes**  
(in pence unless  
otherwise indicated)

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**Prices at 3pm, December 3**

## Financial Times Wednesday December 4 1985

**Continued on Page 37**



Stack	Div	P/E	Sts	High	Low	Close	Change	Stack	Div	P/E	Sts	High	Low	Close	Change	Stack	Div	P/E	Sts	High	Low	Close	Change	Stack	Div	P/E	Sts	High	Low	Close	Change
			100s								100s								100s									100s			
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**Nasdaq national market, 2.30pm prices**

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**Continued on Page 35**

**INTERNATIONAL**  
**PROPERTY REVIEW**  
 THE FT EVERY FRIDAY

**US DOLLAR**  
**THE WORLD VALUE**  
 IN THE FT EVERY FRIDAY



# FINANCIAL TIMES

## WORLD STOCK MARKETS

### WALL STREET

## Hesitation lingers after losses

SOME modest buying of blue chips and technology issues that had been recent leaders helped Wall Street to edge ahead yesterday although in the broader market investors remained hesitant after Monday's losses, writes Michael Morgan in New York.

At 3pm the Dow Jones industrial average was down 0.34 at 1,457.57.

In the credit markets, prices of Treasury coupon issues continued to fall from the lower levels established during the previous session.

The announcement of a 0.3 per cent gain in October's index of leading indicators was at the bottom end of expectations but was still another indication of an expanding economy. The market was also guarded as a result of the continued Congressional stalemate on the passage of the Gramm-Rudman budget reform programme and the conviction that there was little likelihood of any imminent cut in the 7½ per cent discount rate.

Federal funds opened firm at 8½ per cent and traded as high as 9 per cent before the Fed stepped in with the addition of temporary reserves through a two-

day system repurchase arrangement when the rate was 8½%.

In the stock market, IBM picked up ½% to trade at \$138½, General Electric ¼% to \$64½ and General Motors ¼% to \$70½. AT&T was unchanged at \$23½ while Digital Equipment rose 1½% to \$119½.

In the oil sector, Standard Oil of Ohio was ½% higher at \$52½ after the company said it would take a \$1.15bn charge in the fourth quarter. Texaco remained an active feature. The stock fell ¼% to \$31½ as investors continued to assess a Texas judge's refusal to delay a hearing on Pennzoil's \$10.5bn jury award. Pennzoil put on 1½% to \$65½.

Exxon added ¼% to \$52½, and Chevron put on ¼% to \$37½. Atlantic Richfield traded unchanged at \$65½.

General Dynamics was ½% lower at \$85½ after a grand jury accused the company and some of its past and present officials of improperly charging cost overruns on an anti-aircraft gun prototype. The Navy said it was reviewing the indictment to determine whether the Defence Department would bar the company from military contracts.

Among aerospace issues, McDonnell Douglas was ¾% higher at \$72½ after a subsidiary won a Star Wars contract to design a ballistic missile which would destroy incoming nuclear warheads. Boeing picked up ¼% to \$49½. It is to acquire De Havilland of Canada, the commuter aircraft manufacturer, for \$315m.

Among corporate reports, Deere, the farm equipment manufacturer, fell ½% to \$28½ as it announced lower fourth-quarter and full-year results.

Schering-Plough, the drugs and consumer products group, was ¼% lower at \$59½ despite its forecast of higher earnings for this year and 1986.

Dow Chemical was unchanged at \$38½. It announced price rises for some polyethylene resins.

The American Depositary Receipts of Plessey of the UK were up ¾% at \$25½ after General Electric of Britain proposed a possible acquisition of the telecommunications group.

In the high-technology sector, Control Data was steady at \$18½ as it announced a multimillion dollar order to supply computer tape memory units. Amdahl put on ¼% to \$12½ after its announcement of additions to its storage products.

In the credit markets, the price of the key long bond, the 9½ per cent of 2015, fell a further ½% to 99½. The 9½ per cent 10-year note was ½% lower at 98½.

The yield on the three-month Treasury bill added 2 basis points from Monday's auction level to 7.23 per cent. The six-month bill, yielding 7.31 per cent, was 1 basis point lower. Rates on certificates of deposit were higher.

**TOKYO**  
**Drained by year-end settlements**

INSTITUTIONAL investors and corporations kept a low profile, and share prices continued to edge down in Tokyo yesterday, writes Shigeo Nishitani of Jiji Press.

The Nikkei average shed 22.37 to 12,774.55. Turnover remained weak with 283m shares traded, although up from Monday's 212m. Declines outnumbered advances by 480 to 357, with 125 issues unchanged.

Trading was lacklustre as many financial institutions suffered a shortage of surplus funds due to increasing fund de-

mand for year-end settlement of accounts and a rapid shift of funds to short-term financial instruments.

Some speculators busily bought and sold small-capital stocks for quick profits, with general investors dispirited by an overnight plunge on Wall Street.

Shin-Etsu Chemical topped the active stock list with 7.98m shares changing hands and climbed ¥41 to ¥863. It has declined substantially after hitting an all-time high of ¥1,550 in May last year on investor interest in high-tech issues.

Kalvei Construction, the second busiest with 7m shares, surged ¥21 to ¥345 on rumours about the cornering of its shares by speculators.

Small-capital cash-trade stocks also shot up, with Aichi Tokai Denki gaining ¥22 to ¥497, Dainichiseika Color and Chemicals ¥29 to ¥834 and Maruzen ¥19 to ¥630.

Conversely, Oki Electric Industry weakened ¥20 to ¥720 on profit-taking after surging for about two weeks on rumours that it might form a capital tie-up with IBM.

Citizen Watch lost ¥11 to ¥495 after following an uptrend on investor interest in its manufacture and sales of integrated circuit cards.

Large capitals remained out of favour. Mitsubishi Heavy Industries eased ¥4 to ¥368 and Tokyo Gas ¥3 to ¥278.

Blue-chip stocks also dulled, with Sony slumping ¥10 to ¥3,820, TDK ¥50 to ¥4,050 and Canon ¥30 to ¥1,080. Budget-affected and biotechnology-related stocks were also weak.

The bond market saw the yield on the barometer 6.8 per cent government bond due in December 1994 soar from 6.135 per cent to 6.190 per cent.

Market sources believe it is only natural for the bellwether bond to drop as it has followed an uptrend since November 14 when it stood at 7.080 per cent. Some city banks made buy orders in relatively large lots.

**SOUTH AFRICA**

GOLDS firmed throughout the day in Johannesburg to close higher, but some finished off their highs of the day as the price of bullion weakened.

The Free State gold mine President Brand was up R2 at R57 after opening steady at R55. Driefontein added 25 cents to R50, and Buffels gained R2.25 to R81.25.

Industrials ended mixed, with Barlow Rand 15 cents lower at R13.80, and banking share Nedbank lost 30 cents to R9.10 while Barclays remained steady at R18.

Among mining financials, Anglo American gained R1.25 to R39 while diamond share De Beers faded 10 cents to R15.

**CANADA**

AFTER Monday's 23-point drop in the composite index, Toronto began to turn round yesterday, and most stocks moved ahead.

Most activity was seen among mining issues, with Teck Class B 3½% higher at C\$18.

Among banks, Royal Bank of Canada remained unchanged at C\$34½ after reporting an 8 per cent increase in profits for 1985.

Industrials and banks were lower in Montreal while utilities showed some gains.

### EUROPE

## Bulls swept aside by profit-takers

VIGOROUS profit-taking swept aside any semblance of bullish sentiment on the European bourses yesterday, with most centres retreating briskly.

Frankfurt was the exception, but only just. The Commerzbank index rebounded 5.0 to 1,694.2 in a largely technical recovery from the previous session's dramatic 38-point fall in the index. The 3-pig gain for the dollar against the D-Mark offered some reassurance to export-sensitive stocks - mainly car issues.

Daimler, drained by an exhausting series of sharp reverses, started to display a recovery with a DM 17 rise to DM 1,142 while BMW sparked with a proportionally more impressive DM 15 rise to DM 556. VW, stunned by Monday's unusually hefty DM 12.60 fall, recouped a modest DM 4.80 to finish at DM 394.

Corporate news provided a few features. Brown Boveri returned to trade after its Swiss parent announced details of a share buyback plan, boosting its holding in the German subsidiary to 75 per cent. BBC gained DM 2 to DM 300 compared with the parent offer of DM 305 a share.

BHF was spotlighted in an active banking sector as reports circulated that Union Bank of Switzerland was poised to make a bid for the West German bank. BHF jumped DM 12.80 to a new high for the year of DM 461. UBS stated that no decision had yet been taken on its entry into the West German market.

Deutsche Bank continued to lose ground with a further DM 2 loss to DM 687 although Commerzbank crept 50 ptg higher to DM 263. Schering stabilised somewhat at DM 623 after Monday's fall precipitated by the break-off of talks with Henkel over the purchase of two of the latter's US subsidiaries.

Bonds eased by as much as 30 basis points following declines on US credit markets and the dollar's recovery. The Bundesbank bought DM 25m worth of paper to balance the market after Monday's meagre 400,000 sales.

Elsewhere in Europe the scene was thick with casualties.

The peak set by Zurich in the previous session was quickly surrendered as waves of foreign profit-takers swamped

solid domestic buying. The Swiss Bank industrial index fell 10.7 to 535.2.

UBS, linked with possible expansion plans in West Germany, shed SFr 80 to SFr 4,890 while Hoffmann-La Roche gave up half of Monday's rise with a SFr 75 setback to SFr 11,475.

The tumble in Amsterdam was attributed to the previous day's steep fall on Wall Street although many issues displayed some signs of strength in late trading. Dutch internationals, particularly those with a large US exposure, benefited in the late rebound.

Royal Dutch added 70 cents to Fl 179.50, and KLM managed a closing gain of 40 cents at Fl 52.80 after both shares traded lower during most of the session. Unilever was Fl 3 cheaper at Fl 387 following Monday's suggestions that it was prepared to bid for UK pharmaceutical group Beecham.

Insurers were weak despite Aegon's higher nine-month profits. It ended Fl 3 cheaper at Fl 109.50, and banks contin-

ued to lose their recently acquired lustre. ABN lost Fl 5.50 to Fl 530 and Amro Fl 2.30 to Fl 96.20.

Stockholm reeled under the onslaught of full-bodied profit-taking that left the Jacobson & Ponsbach index 27.86 lower at 1,612.72, largely due to the overnight Wall Street showing.

Ericsson was the most active and lost SKr 3 to SKr 217 while Electrolux, also active, held steady at SKr 179.

Pharmaceutical glamour stock Fermenta retreated from Monday's record level to finish SKr 2 cheaper at SKr 152.

Astra, unquoted on Monday, fell SKr 10 from Friday's close to SKr 500, and Pharmacia dipped SKr 5 to SKr 190. Volvo dropped SKr 10 to SKr 284, and SKF weakened SKr 4 to SKr 258. Skandia was one of the few to move against the trend with a SKr 5 jump to SKr 295.

Milan, Paris and Brussels turned lower after the rampages of profit-takers while Madrid made modest progress in quiet trading.

**LONDON**  
**Confidence sparked by electricals**

EXCITEMENT in electricals stirred London yesterday and dispelled the mood of uncertainty which looked set to leave stocks with sharp losses similar to the previous session.

The FT Ordinary share index regained an earlier fall of 13.6 to settle up 3.9 at 1,128.3.

GEC's tentative offer of 180p a share for Plessey left GEC, which minutes earlier had reported dismal half-year profits, 12p higher at 188p. Plessey added 38p to 174p.

A surprising rally in Far Eastern stocks, despite domestic market influences to the contrary, was a steady factor.

Chief price changes, Page 35; Details, Page 34; Share information service, Page 32-33.

**HONG KONG**

HEAVY SELLING by overseas investors, afraid that Singapore and Malaysia's problems might spread to Hong Kong, kept prices lower, and the Hang Seng index closed down 30.51 to 1,684.08.

Renewed speculation that Jardine Matheson would sell its stake in Hong Kong Land injected some late morning support into the market. Jardine put on 10 cents to HK\$13.10 while Hongkong Land slipped 5 cents to HK\$6.35.

Elsewhere, falls were steeper, with Cheung Kong off 60 cents at HK\$19.50, Hang Seng Bank HK\$1.25 at HK\$45.00, Hutchison 50 cents at HK\$25.50 and Sun Hung Kai Properties 20 cents at HK\$12.20.

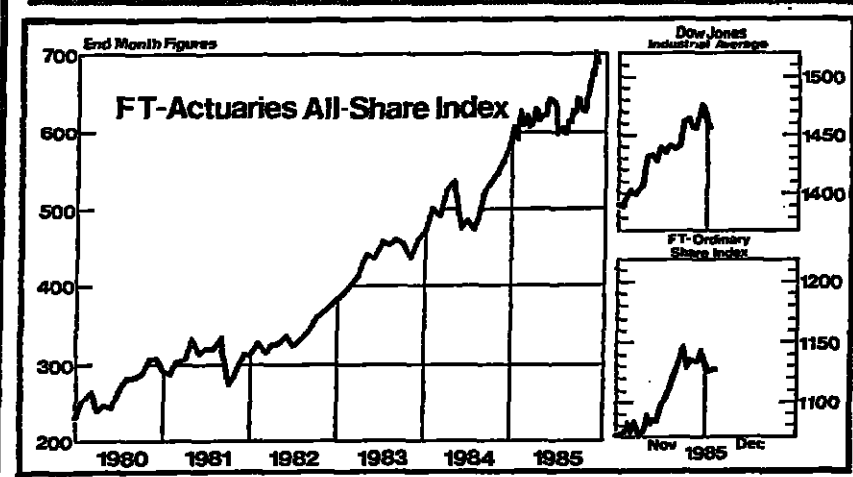
**AUSTRALIA**

A WEAKER trend continued in Sydney following lower overseas markets and a lack of confidence in gold.

The All Ordinaries dropped 1.4 to 984.8. Turnover was boosted by the purchase of about 10m BHP shares by Bell Group chief Mr Robert Holmes & Court in an options-related deal. After 14m shares were traded, BHP ended up 18 cents at AS\$42.

Among other market leaders, CSR fell 2 cents to AS\$48, MIM 3 cents to AS\$42, CRA 4 cents to AS\$32 and Western Mining 10 cents to AS\$12.

### KEY MARKET MONITORS



STOCK MARKET INDICES			
	Dec 3	Previous	Year ago
NEW YORK			
DJ Industrials	1,457.57	1,457.91	1,182.42
DJ Transport	689.25	687.27	523.58
DJ Utilities	163.52	163.62	144.39
S&P Composite	200.57	200.46	162.82
LONDON			
FT Ord	1,128.3	1,142.9	917.5
FT-SE 100	1,415.6	1,439.1	1,191.7
FT-A All-share	685.29	686.02	558.82
FT-A 500	753.84	756.82	621.72
FT Gold mines	270.6	285.8	556.7
FT-A Long gilt	10.12	10.26	10.33
TOKYO			
Nikkei	12,774.55	12,796.92	11,513.6
Tokyo SE	1,005.72	1,007.81	880.98
AUSTRALIA			
All Ord.	986.7	988.2	740.0
Metals & Mins.	484.1	488.1	432.0
AUSTRIA			
Credit Aktien	166.92	116.55	58.09
BELOM			
Belgian SE	2,949.14	2,962.96	—
CANADA			
Toronto			
Metals & Mins	1,948.6	1,910.63	1,882.00
Composite	2,845.8	2,834.33	2,385.30
Montreal			
Portfolio	137.81	137.2	117.3
DENMARK			
SE	223.88	223.55	167.54
FRANCE			
CAC Gen	242.7	245.1	181.2
Ind. Tendance	139.8	141.1	99.7
WEST GERMANY			
FAZ-Aktien	574.58	571.94	375.55
Commerzbank	1,694.2	1,688.2	1,097.4
HONG KONG			
Hang Seng	1,684.08	1,694.57	1,122.26
ITALY			
Banca Com.	442.94	444.11	215.75
NETHERLANDS			
ANP-CBS Gen	234.8	239.2	178.2
ANP-CBS Ind	212.8	217.0	140.3
NORWAY			
Ose SE	394.54	396.38	275.58
SINGAPORE			
Straits Times	closed	695.43	801.38
SOUTH AFRICA			
JSE Golds	—	1,138.9	1,071.6
JSE Industrials	—	1,027.0	968.7
SPAIN			
Madrid SE	133.19	133.06	100.83
SWEDEN			
J & P	1,612.72	1,630.58	1,345.9
SWITZERLAND			
Swiss Bank Ind	535.2	545.9	378.8
WORLD			
Capital Int'l	243.6	245.6	183.8

CURRENCIES			
	U.S. DOLLAR	STERLING	
(London)	Dec 3	Previous	Dec 3
\$	—	—	1.4795
DM	2.5335	2.521	3.7475
Yen	204.8	204.05	303.0
FFr	7.725	7.6875	11.43
Sfr	2.112	2.1035	3.125
Quilider	2.851	2.831	4.2175
Lira	1,725.5	1,714.5	2,552.75
Bfr	51.45	51.05	76.1
CS	1.39095	1.38955	2.0609

INTEREST RATES			
	Dec 3	Prev	
Euro-currencies			
(3-month offered rate)			
\$	11%	11%	
Sfr	4%	4%	
DM	4%	4%	
FFr	9%	10%	
FT London interbank fixing			
(offered rate)			
3-month U.S.\$	8%	8%	
3-month U.S.S	8%	8%	
U.S. Fed Funds	8%	8%	
U.S. 3-month CDs	7.25%	7.25%	
U.S. 3-month T-bills	7.22%	7.22%	

U.S. BONDS			
	Dec 3	Yield	Price
Treasury			
8% 1987	98½	8.516	100½
9% 1992	100½	9.548	101½
9% 1995	98½	9.639	98½
9% 2015	96½	9.947	96½

Treasury Index			
	Dec 3	Yield	Day's change
Mar 91	133.54	-0.11	9.25
1-10	131.28	-0.08	8.98
1-3	127.40	-0.01	8.49
3-5	132.97	-0.15	9.20
15-30	141.57	-0.22	10.21

Corporate			
	Dec 3	Yield	Price
AT & T	101%	10.00	101%
10% June 1990	84%	7.95	84%
3% July 1990	87%	10.48	87%
8% May 2000	102	10.25	102
Xerox	100	10.625	100
10% May 1990	95%	11.20	95%
Federated Dept Stores	106%	11.05	106%
11.80 Feb 2013	103%	11.95	103%
Alcoa	103%	11.95	103%

FINANCIAL FUTURES			
	Dec 3	Yield	Price
CHICAGO			
U.S. Treasury Bonds (CBT)			
8% 32nds of 100%	80-19	80-31	80-14
U.S. Treasury Bills (TMM)			
\$1m points of 100%	92.91	92.93	92.85
Certificates of Deposit (CMT)			
\$1m points of 100%	92.11	92.13	92.07

COMMODITIES			
	Dec 3	Prev	
(London)			
Silver (spot fixing)	410.450	407.200	
Copper (cash)	\$916.50	\$914.00	
Coffee (Jan)	\$1,857.50	\$1,942.50	
Oil (spot Arabian Light)	\$27.90	\$27.85	

GOLD (per ounce)			
	Dec 3	Prev	
London	\$322.75	\$319.75	
Zurich	\$323.05	\$322.25	
Paris (fixing)	\$323.18	\$325.08	
Luxembourg	\$322.20	\$324.65	
New York (Feb)	\$326.40	\$322.30	



ローリー・ミルバンクアンドカンパニー

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